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ESTABLISHED 1887

ed Expects No Recession in '88

WASHINGTON — Alan Greenspan, the chairman of the Federal Reserve Board, told Congress Tuesday that the United States would face "formidable challenges" in keeping its five-year economic recovery alive but that he did not foresee a recession.

market, and inflation accelerating, and the types of pressures that usually precede an economic decline," he said.

The Fed predicted that consumer prices, as measured by an inflation index tied to the GNP, would rise 3.25 percent to 3.75 percent this year, up from 3 percent in 1987.

ended the day lower in New York trading. The Fed's forecasts had been widely anticipated.

Kiosk

Italy May Take U.S. F-16 Unit

BRUSSELS (NYT) — The United States and Italy have reached preliminary agreement on relocating the 72-jet fighter wing of U.S. F-16s now in Spain to a base in Italy, according to diplomats.

Edwin Meese says he will not resign as U.S. attorney general, but many Republicans fear he is becoming a political liability. Page 3.

General News

The United Nations Food and Agricultural Organization faces cuts because of a U.S. refusal to pay its dues. Page 2.

U.K.-Irish Rift Widens As Soldier Is Paroled

By Francis X. Clines
LONDON — The rift between London and Dublin widened Tuesday as Britain confirmed that the one British soldier ever sentenced to life for fatally shooting an Irish civilian had been quietly paroled and restored to service after only 26 months of prison confinement.

Discriminate Deterrence: Round 3 in a Crucial Debate

On the eve of an important NATO summit, Zbigniew Brzezinski, Henry A. Kissinger, Fred C. Ikle and Albert Wohlstetter, contributors to the Pentagon report "Discriminate Deterrence," responded to European concerns about the West's long-term security policy. Page 4.

2 Youths Are Killed in Israel Unrest

By John Kifner
JERUSALEM — Two 13-year-old Palestinians were shot to death Tuesday as the 10th week of constant unrest in the Israeli-occupied West Bank and Gaza Strip ended.

In the burial incident, Adel Ali Massoud, 18, was taken by the army from his home in Khan Younis on Feb. 14 and, with another Palestinian, taken to a beach outside the town, according to the Gaza Attorney's Association.

Israel has come under unusually strong criticism from the International Committee of the Red Cross, whose normal practice is to maintain discreet relations with host countries in hopes of working behind the scenes to improve conditions.

Senate Unit Warns Of Defeat for Iraq

WASHINGTON — An Iraqi defeat "is a realistic possibility" in the war between Iraq and Iran and would be "catastrophic" for Western interests in the Gulf, according to a report by the Senate Foreign Relations Committee.

been pessimistic about Iraq's chances against the more heavily populated Iran since the Gulf War began in September 1980.

Senate Unit Warns Of Defeat for Iraq

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to end the conflict and thus avert an Iraqi defeat, the report recommended that the United States step up efforts to get the United Nations to impose a comprehensive arms and economic boycott on Iraq.

During a 17-day visit to the Gulf region, the travels of one of the



BUDGET INSPIRATION — Gary Hart in Madison, South Dakota, showing how he says Pat Robertson would balance the budget. The South Dakota primary is Tuesday. Meanwhile, a poll shows Michael S. Dukakis, Richard A. Gephardt and Bob Dole gaining voter attention. Page 3.

Soviets Report Ethnic Protest

By Philip Taubman
MOSCOW — The Soviet Union reported major nationalist disturbances Tuesday in an ethnically volatile area in the southern part of the country.

ing shook the Central Asian city of Alma-Ata in December 1986.

tached to the neighboring Armenian republic.

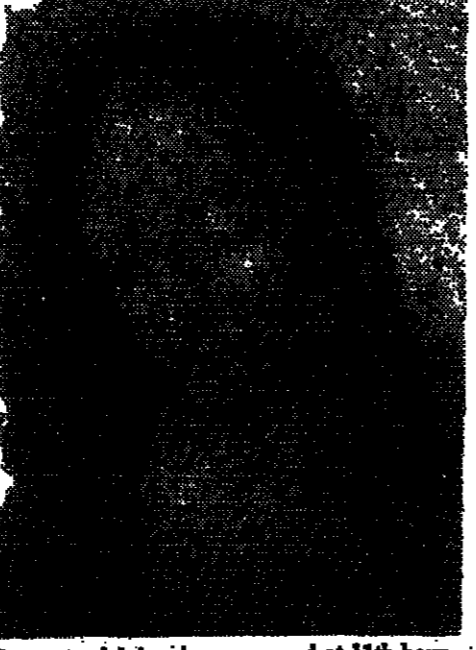
East German Wins Biathlon

Frank-Peter Röttsch of East Germany, right, leading Dmitri Vassiliev of the Soviet Union on the way to the Olympic gold medal Tuesday in the 10-kilometer biathlon. Röttsch is the first person to sweep the Olympics biathlon events. He won the 20-kilometer biathlon last week. Page 7.

At the heart of the story is the sketch of a woman demurely looking down with a weary smile on her lips.

The newspaper said the decision, which was contrary to government policy, was invalid because the meeting of deputies violated unspecified procedural rules.

From Milan to Tokyo: The Strange Voyage of a 'Leonardo'



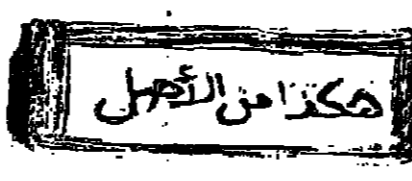
By Souren Melikian
International Herald Tribune
A storm is about to break out in Italy and Japan over a drawing that may or may not be by Leonardo, his allegedly illicit export from Italy in 1985 and an extravagant set of circumstances that led a Japanese religious foundation to be threatened with legal action if it did not buy a drawing that its affiliated museum did not want.

Two lawyers have been investigating the matter since June 1987 at the request of the religious movement, the SKK. They are Van Kirk Reeves, a U.S. attorney of the Coopers & Lybrand law firm in Paris, and Dr. Terumichi Kawai, a Japanese attorney attached to the MOA Foundation (the cultural affiliate of the SKK), now the director of its London branch, who made this information available to the International Herald Tribune.

ing from a noted art gallery established in Tokyo. A separate and even more difficult problem is assessing the validity of art historical claims made about any work of art in a distant country.

price, listed in the contract as 300 million lire (about \$175,000 at the time), was substantial for a work from the circle of — not by — the master.

Before concluding his deal, Mr. Van Rijn tried to get a learned opinion, as is common practice in such cases.



WORLD BRIEFS

Aide as Navy Secretary... Ronald Reagan named...

Spain Speech Criticized

Spain's speech... international community...

Uganda Cabin

Uganda cabin... aircraft...

Loses in Kenya

Loses in Kenya... election...

Criticizes Honduras

Criticizes Honduras... military...

Oil Back Price Rise

Oil back price rise... market...

UPDATE

British Visitor

British visitor... news...

stinians Killed

stinians killed... conflict...

Californians to Swallow a Big Dose of Warnings on Poisons

By Robert Reinhold

LOS ANGELES — Starting Saturday, life will change for the 24 million residents of California. Almost daily, they will receive pointed reminders about the chemical risks of the good life of the 20th century.

When they pull up to self-service gasoline stations, they will be confronted with signs like the one at a 76 Union station, warning that "chemicals known to the state of California to cause cancer, birth defects and other reproductive harm" are in the gasoline and its vapors.

A provision of the law also prohibits any business from knowingly discharging such chemicals into drinking water. That provision goes into effect on Oct. 27 and carries criminal penalties.

The existing federal law isn't tough enough," said David Roe, senior lawyer for the Environmental Defense Fund in Oakland and a co-author of the law.

AMERICAN TOPICS

Texas Convicts Hear Families Over Radio

"The Prison Program," a weekly radio show in Houston, allows the families of inmates to telephone station KPFT-FM and have their words broadcast to their relatives in nearby prisons.



LIVELY ART — A spectator shakes hands with one of the living paintings at New York's new Museum of Contemporary Art in Manhattan.

Short Takes

The new Air Force One for the use of the president of the United States will be delivered in November. A second new plane, to serve as a backup, will be delivered in May next year.

Available in the Civil War

fight for both sides. Many carry two sets of uniforms, noted Charles Sullivan, a member of Stanford's Mississippi Battery of Vicksburg.

Secretary to Donna Frame

Tuttle, head of the U.S. Travel and Tourism Administration, was undismayed at finding she was applying to the wrong Traveler magazine for a copy of a recent article on Florida's Key West.

Meese Is Determined Not to Resign Despite Republican Election Fears

By Lou Cannon

WASHINGTON — Attorney General Edwin Meese 3d has told friends he intends to ride out the storm created by the latest disclosures about his role in an Iraqi pipeline project, despite a growing perception in Republican circles that he has become a severe political liability.

The memo is at the center of an investigation of Mr. Meese by Mr. McKay, who is looking into whether the attorney general reacted properly to the suggestion of political payments.

Source familiar with surveys taken for the White House show that the issue of ethics is less important than the economy or key foreign policy issues but that it has, as one official said, "the potential for growth, all of it at our expense."

Swaggart Given 2-Year 'Rehabilitation'

WASHINGTON — Church elders have ordered the Reverend Jimmy Swaggart to immediately begin two years of rehabilitation during which his preaching will be limited and he will be in counseling, following the television evangelist's tearful confession before a congregation of more than 6,000 that he had committed sexual sins.

Mr. Swaggart will be relieved of his duties as co-pastor of the Family Worship Center in Baton Rouge but will be allowed to return to preaching after three months, Mr. Janway said.

Mr. Swaggart, 52, has often faced criticism for the flamboyance of his ministry. "He was a natural for it, a real Elmer Gantry type, but no one ever heard anything of a sexual nature about him," said John Maginnis, editor of Crisis magazine.

Pat Robertson, the Republican presidential candidate and former television evangelist, said Tuesday that he thought the timing of the public allegations against Mr. Swaggart had been planned to embarrass Mr. Robertson before the Southern primary elections May 8.

Mr. Robertson said evidence indicating Mr. Swaggart had been involved with prostitutes had lain dormant since last October.

Mr. Swaggart had in recent years condemned other pastors who he said did not adhere to a strict fundamentalist interpretation of the Bible. As late as last year, he was accused by some in his denomination of creating a schism within the Assemblies of God, one of the largest Protestant groupings in the United States.

Americans Waking Up to Campaign Poll Finds New Support for Dukakis, Gephardt and Dole

By Michael Oreskes

NEW YORK — After major campaign tests in Iowa and New Hampshire, a lowly and underappreciated American public is now paying attention to the presidential race and throwing more support to three of the early winners, Michael S. Dukakis, Richard A. Gephardt, and Bob Dole, a New York Times-CBS News Poll shows.

The poll of 2,734 adults did not record any national gain for Vice President George Bush, whose lead over Mr. Dole remained substantial at 42 percent to 27 percent.

But the survey also showed that winning in the early contests was not the only route to political strength. Indeed the Southern and border segment of the poll showed that the "Super Tuesday" collection of primaries on March 8 offers particular opportunities to candidates with a claim of Southern roots.

Suspensions by Robertson

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Funds Sought for Paris Arch

PARIS — Former President Valéry Giscard d'Estaing launched a public appeal Tuesday to raise 10.5 million francs (\$1.8 million) for restoration of the Arc de Triomphe.

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AMERICAN AIRLINES logo and flight schedule information.

OPINION

INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

A New View on Iran

It is "time to move" to a United Nations arms embargo on Iran...

The United States makes a compelling case that Iran has been abusing international patience...

Moscow's Talk of Rights

The new winds keep blowing in the Soviet Union now in the direction of human rights...

For emigrés returning for family visits. The most threatening rights issue may well concern the nationalities...

Wrongdoing at the Top

For the first time this term, the U.S. Supreme Court sat with a full complement of nine justices...

Justice Department in order to preserve their work should their authority under the ethics law be invalidated...

Other Comment

Toward a New Alliance

A [growing] rupture in the consensus on Western military strategy has been accompanied by ever sharper disagreement...

and perhaps, through negotiations, to achieve potentially irreversible gains...

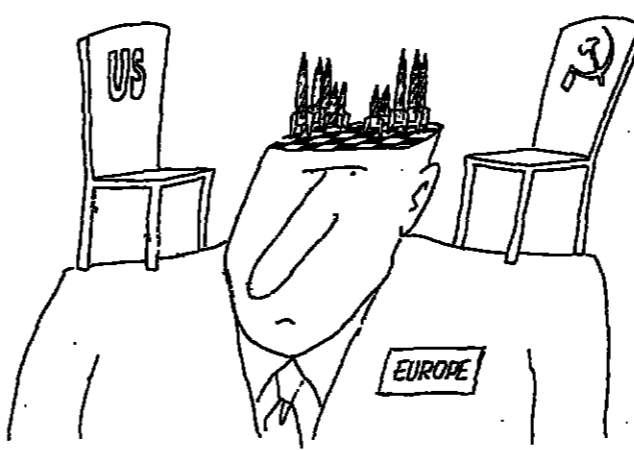
Discriminate Deterrence Won't Leave Europe Dangling

By Zbigniew Brzezinski, Henry A. Kissinger, Fred C. Iklé and Albert Wohlstetter

LOS ANGELES — On the eve of the NATO summit meeting in Brussels, three issues dominate the debate...

It is encouraged by the habit of equating any use of "strategic" forces with assuring mutual destruction...

the least harm to Turkey or Norway and without inevitably spreading devastation to all of Europe...



By RAS in Tachkent (AP/Wide World Photos)

Soviet 'Psychiatry': Torturing Millions of Innocents

By Sergei Grigoryants

MOSCOW — In Magadan, on the shore of the Okhotsk Sea, Valentina Bondarenko's husband, a police sergeant...

Internal Affairs and the KGB. Some people are starting to be freed from them...

Time Has Come to Trade Unsold Food for Unsold Oil

By Eliot Janeway

NEW YORK — Pushed by worldwide overproduction, oil prices are sinking again...

deflation through the real estate market. Houston will no longer be alone...

Preachers Hold Key to the Presidency

By Haynes Johnson

WASHINGTON — Pat Robertson does not want to be called a preacher anymore...

and responded to those who offered a moral message. But they have guarded against the emotion by erecting constitutional barriers...

100, 75 AND 50 YEARS AGO

1888: Fear on Tug Fork

PIKEVILLE, Kentucky — Night and day there goes up from all this country a cry that Governor Wilson...

1913: Madero Is Killed

NEW YORK — Senor Francisco Madero, the deposed Mexican President...

iano Hiera's men. According to statement by the Government...

1938: Radio Newspaper

NEW YORK — A newspaper photographed to your home simultaneously with its composition...

INTERNATIONAL HERALD TRIBUNE JOHN HAY WHITNEY, Chairman 1938-1982. KATHARINE GRAHAM, WILLIAM S. PALEY, ARTHUR OCHS SULZBERGER, Co-Chairmen.

Vertical text on the right edge of the page, including 'Kurt Waldheim' and 'To Austria'.

OPINION

Kurt Waldheim Will Belong To Austria for a Long Time

By A. M. Rosenthal

NEW YORK — Millions of Austrians wanted Kurt Waldheim for president. They knew what he was and they elected him. Austrians who voted for him, knowing, should stick with him. In his presidential palace in Vienna, Kurt Waldheim is a fine reminder to his supporters of the Nazi era, which Austria supported with such glee and profit.

Hammarhjold of Sweden, had turned out to be a man of intellect who tried to do some thinking for himself. The great powers that have the final word about the job were stunned. They resolved it would never happen again. When the job was open in 1970 they searched until they found in Mr. Waldheim the right combination of mediocrity and malleability.

ON MY MIND

might be a relief to fling it away, scratch and once more proclaim Austria the victim of Nazism. All who voted for him could put it down as an unfortunate episode blown up by the Jews. But they got what they wanted in Mr. Waldheim. It would surpass even the Viennese record of hypocrisy for his supporters to turn against him now. For the rest of us, it does no great harm to witness the reminder of Austrian loyalty to the days when garbage was thrown on Vienna's streets so that the Jews could scrub them, on hands and knees.

The secretary-general's office is no place for a free-wheeling crusader. But he must have enough self-respect to build some esteem for himself and his post in the halls of the United Nations.

It is clear now that Mr. Waldheim could never have done that. He was living a lie. He kept repeating it. He had been wounded out of the German Army in 1941 and then studied law. The truth was that in 1941 he was assigned to the Balkans and for three years served as an officer in the intelligence operation, dealing with the deportation and slaughter of hundreds of thousands of Greeks, Serbs, Italians and Jews.

He was indicted by the Yugoslavs as a war criminal and listed in the UN's locked war crimes file as a man who should be put on trial. Possibly he did not order war crimes himself. But an international panel of historians found he must have known of the atrocities, did nothing to stop them and worked thereafter to conceal his participation. He knew enough to hide.

And economic conditions are bad. Austrian businessmen complain that a president who lied for more than 40 years about his role — small but efficient — in the Nazi murder machine has not helped tourism and other industries. Austrians who voted against him do have the right to try to push him out. But whether he stays or goes does not matter much now. Kurt Waldheim will belong to Austria for a long time — until it is forgotten that the country that was Hitler's eager partner elected him, knowing what he is. But already it is being forgotten that the great powers of the world, including the Soviet Union and the United States, gave this man the most prestigious and important job in international diplomacy, the post of secretary-general of the United Nations.

Now, faced with mounting evidence of his involvement, he still refuses to admit the truth. He snarls in language Austrians can understand about outside interference. He has dropped the bland mask he carried for so long at the United Nations and at New York parties. Kurt Waldheim is no longer boring.

While he sits in his palace, each country can decide what to do about him. Only two or three world figures, including the pope, have received him. Most of the world keeps its back turned. Austria and Kurt Waldheim wanted each other. Perhaps it is just as well that they keep each other.

Waldheim Doesn't Answer

THE conclusions of the report on Kurt Waldheim's wartime past have severely damaged his credibility. The revelations are all the more disturbing for coming on the 50th anniversary of the annexation by Nazi Germany, at a time when Austrians are asking why the Anschluss took place. It is regrettable that Austria's president can be of no help in answering those questions. Only Mr. Waldheim can decide what conclusions he should draw from the commission's report.

He was exactly what they were looking for. One secretary-general. Das

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We Know They Can Talk; Can They Write?

By Ladd Hamilton

LEWISTON, Idaho — All of the candidates in pursuit of the Democratic and Republican Party nominations have this in common: Each has so far concealed from the voters the one thing many of us need in order to choose wisely. Not one of these men has shown us a solid example of his writing, untouched by editors or image-makers.

soned and good-humored, it was clearly stated, in plain and robust English, and in his own words. That is what many of us yearn to have from today's candidates: a writing sample of their own words.

I want to know how Pat Robertson's mind works when he puts thoughts on paper. I want to know what a Richard Gephardt sentence looks like. Judging by his resume, I would guess that George Bush writes like a bureaucrat, and I would like to be proved wrong.

uninfluenced by aides. The throw-away comments he tosses off between the Oval Office and the helicopter pad do not count. Neither do his answers at news conferences. No public official should be judged by the way he uses the language of the cuff.

What difference does it make whether Bob Dole or Paul Simon write in the active or passive voice? Whether Albert Gore Jr. or the Reverend Jesse Jackson are willing to split an infinitive? It is the difference between knowing and not knowing how the candidate thinks.

But any sitting president, as well as any candidate, can be fairly judged by the way he expresses his ideas in thoughtful prose written in solitude.

Much of the early support of Adlai E. Stevenson's candidacy in 1952 came from people familiar with his prose, which reflected a sharp and vigorous mind. I became a Stevenson Democrat after reading one of the veto messages he wrote as governor of Illinois — one in which he argued that as long as birds had the right to eat worms, cats should have the right to chase birds. The governor's argument was not only well re-

prose. I will vote for the candidate who can show me that sort of mind. If these men want to reach the voters, they can do it best by scrapping their stump speeches for a moment and simply writing to us. Is that an outrageous request? Let each one of them tell us in a couple of pages how he would use the presidency to advance the welfare of the American people and certify that the words and phrasing are his alone.

Then the voters will have some means of looking into each candidate's head. And they may be surprised how useful a guide this can be. Do his sentences follow one another in a logical order? Does he write in words of one syllable — the spare, plain Anglo-Saxon words — or in their Greek and Latin equivalents? Has he organized his thoughts? Is his prose mushy and ambiguous or clear and muscular? Does his letter to the people bear a slogan or an original thinker?

Once the president is elected, we expect him to depend on others to write his speeches. But just once, and the sooner the better, the voters deserve this much: a close and penetrating look at each candidate's view of himself and his mission, in words that are entirely his own.

MEANWHILE

The writer is former senior editor of the Lewiston Morning Tribune, in Lewiston, Idaho. He contributed this comment to The New York Times.

LETTERS TO THE EDITOR

For an American Jew, Israeli Policy Is Heart-Rending

I am an American Jew, completing six weeks of travel in the Middle East. I have always prayed for Israel's success and well-being. My mother's family was forced from Syria over 60 years ago. I have never had any deep sympathy for the Arab people. Until now.

photographers said a lieutenant colonel aimed a loaded gun at his head and threatened to shoot. As an Israeli soldier on duty 50 feet (15 meters) away, I witnessed the incident and would like to set the record straight. The photographer was given a direct order not to enter an area in which his life very well could have been in danger. He protested vigorously and exchanged heated words with our officer.

Or did he? Somebody knew. In all those countries, somebody knew. In all those years he was climbing up in the Austrian foreign office. Somebody knew when he was named secretary-general and during the decade that he sat on the UN's 38th floor.

The only time our officer lifted his rifle was as a barrier to ward off physical attack from the photographer. Another officer had to restrain the photographer from pursuing his attack.

And of course he knew. All the time, that somebody knew. Is it really possible that for four decades not one agency from one country tapped Mr. Waldheim on the shoulder and reminded him of what they both knew?

Leaving through an old copy of U.S. News & World Report of Oct. 25, 1982, I was struck by a letter that epitomized what Shakespeare must have meant when he said in the Tempest: "What's past is prologue."

Now, faced with mounting evidence of his involvement, he still refuses to admit the truth. He snarls in language Austrians can understand about outside interference. He has dropped the bland mask he carried for so long at the United Nations and at New York parties. Kurt Waldheim is no longer boring.

In a letter, Joseph J. Honick of Encino, California, said: "Isn't it interesting that, in a democracy like Israel, dissent and calls for investigations of the recent Lebanese tragedy can take place, while no such inquiries were ever made either by the Arab League or the United Nations during the time the PLO and the Syrians were wreaking havoc upon the Lebanese population. The free and

MARK FRIEDBERG, New York.

Germany in 1942 doubtless would

On Feb. 8 the IHT reported ("Israelis Shoot 3 Arabs") that "Newsweek magazine complained ... after one of its

open dissent demonstrates the ethic of the Israeli people, however inept individuals may or may not have been."

M.B.C. DOV, Brussels.

have preferred the world to believe that members of the French Resistance were terrorists and that Charles de Gaulle did not speak for the French people.

to indulge in their "relaxing habit" in the privacy of their homes. JANET MUTSCH, London.

Is it not time for the U.S. press to take an objective view of the PLO and not mirror the Israeli line? WARREN R. DIX, Athens.

New Hampshire Horrors

Regarding "Beware of This Compulsion to Make Us All Be Healthy" (Meanwhile, Feb. 18) by Barry Glassner:

Henry Allen practices rather vicious journalism (Opinion, Feb. 12 and 13). Instead of discussing intelligent alternatives to the caucus and primary circus, such as regional primaries or a national primary, he launches an ugly campaign against New Hampshire residents for such horrors as having messy yards, selling maple syrup, owning wood-burning stoves and exporting Yankee magazine.

Thank heavens that a voice has finally been heard in defense of smokers' rights. Perhaps there is still a chance that someday, once again, America will have the right to call itself a free country.

It is precisely because New Hampshire is such a small, sparsely populated state with no "labor kingmakers" and "no powerful bishop or veterans' lobby or television station" (more of Mr. Allen's complaints) that its primary is anybody's contest to win, or lose.

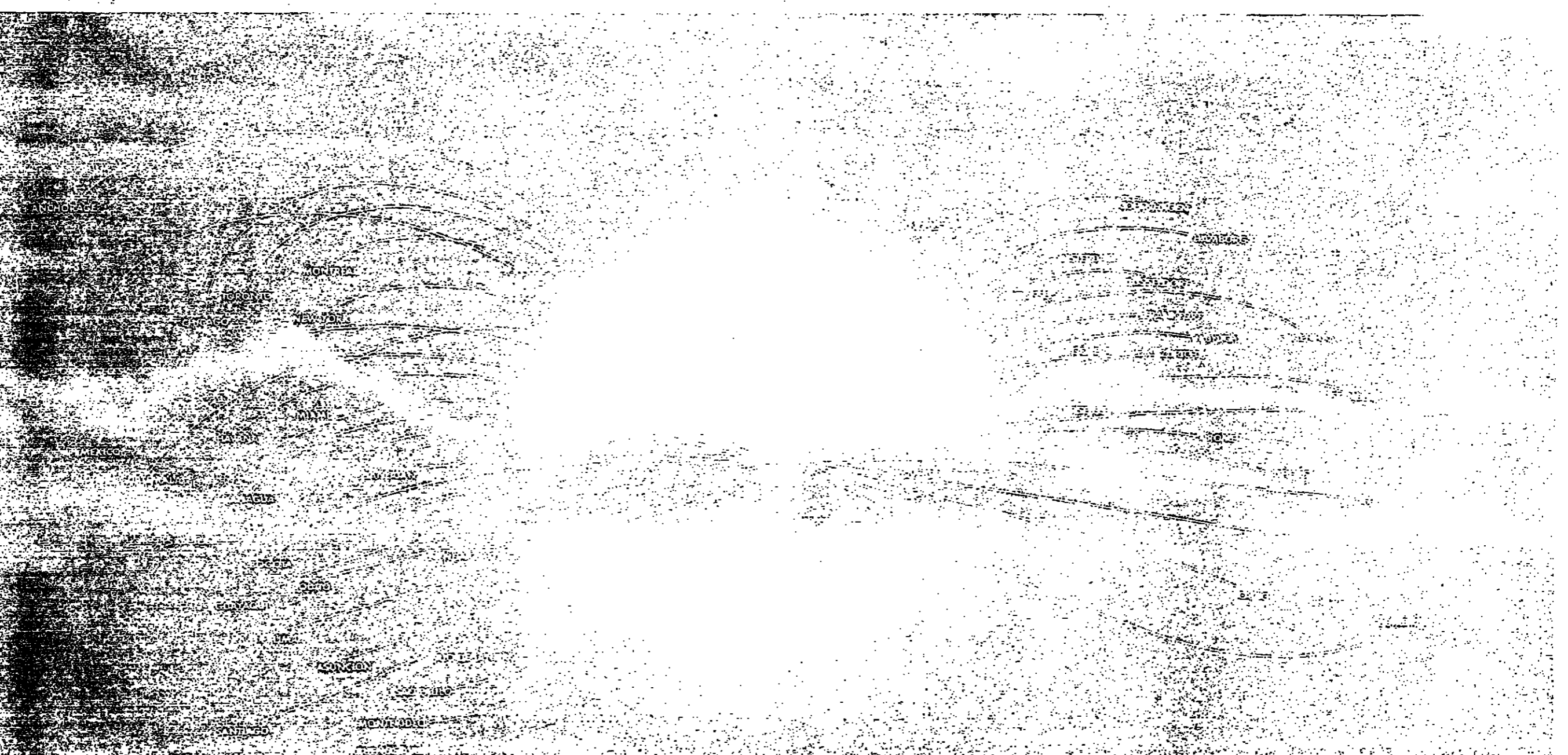
GENEVIEVE BENNETT, Le Cannet, France.

JOSEPH SMALL, Paris.

The most compelling reason to implement nonsmoking regulations in public places is that the habit physically annoys and irritates nonsmokers. Why must nonsmokers be forced to inhale the smoke of their neighbors? The enclosed areas on buses, trains and airplanes necessitate that passengers share the same air — and smoke. The taste of an expensive meal is marred by a cigarette smoked by the diner at the next table.

Letters intended for publication should be addressed "Letters to the Editor" and contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

To avoid an Orwellian society, I suggest that smokers should retain all rights



SOLAR SYSTEM

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Dutch Fearful of Losing Knack for Languages

Report Says a 99% Focus on English May Endanger Export-Led Economy

By Ronald van de Krol
Special to the Herald Tribune

THE HAGUE — The Dutch, once regarded as the linguistic wizards of Europe, are in danger of throwing away their lead in foreign language skills and putting the success of the country's export-led economy at risk, according to leading Dutch business organizations.

They warn that the Dutch are focusing too heavily on learning English and badly neglecting other languages, particularly Romance languages such as French, Spanish and Italian, and are shutting themselves out of important overseas markets.

"We once had a big lead over the rest of Europe because our work force spoke good French and German as well as good English, but that advantage is getting smaller all the time," said Rogier Chorus, director of international relations at the Christian Federation of Employers.

In a report on the importance of language skills to the Dutch economy, the employers' federation and the Netherlands Export Federation came to the conclusion that English, although widely spoken in the Netherlands, was not spoken well enough to meet the high standards of international business or the demands of negotiating complicated contracts.

"At best, you could say that the Dutch love affair with English is turning us into second-rank Englishmen," Mr. Chorus said. "But to have a real advantage internationally, Dutch firms need people who can speak other languages alongside English."

Although foreign language skills may not be considered essential in other countries, they are crucial for a small country like the Netherlands, whose economy is dependent on exports and whose own language is rarely spoken beyond its borders.

Nearly 55 percent of the country's gross national product, excluding services, is exported; that is significantly higher than the 29 percent in West Germany, the 20 percent in France or the 6 percent in the United States.

The ability of the Dutch to speak other languages helps them not only to sell overseas but also to convince foreign businesses to set up operations in the Netherlands.

In brochures intended for foreign businesses, the Netherlands Foreign Investment Agency says that "the Dutch have a better working knowledge of English than any

other nationality on the continent" and adds that most of the Dutch speak German and many French.

Nevertheless, the report of the business organizations calls for a major improvement in language skills, arguing that a good grasp of languages will be more important than ever when the European Community dismantles all internal barriers to create a single economic market in 1992.

Why and when did the linguistic supremacy of Dutch business start to come under threat? The report, which was compiled by business officials, educators and translators, attributes the change to renewed efforts by such competitor countries as West Germany and France to promote foreign languages and to changes in the Dutch educational system itself.

Until 1968, all Dutch high school students were required to pass examinations in Dutch, English, French and German before they could graduate. In 1968, the language exam requirement was lowered to only one foreign language.

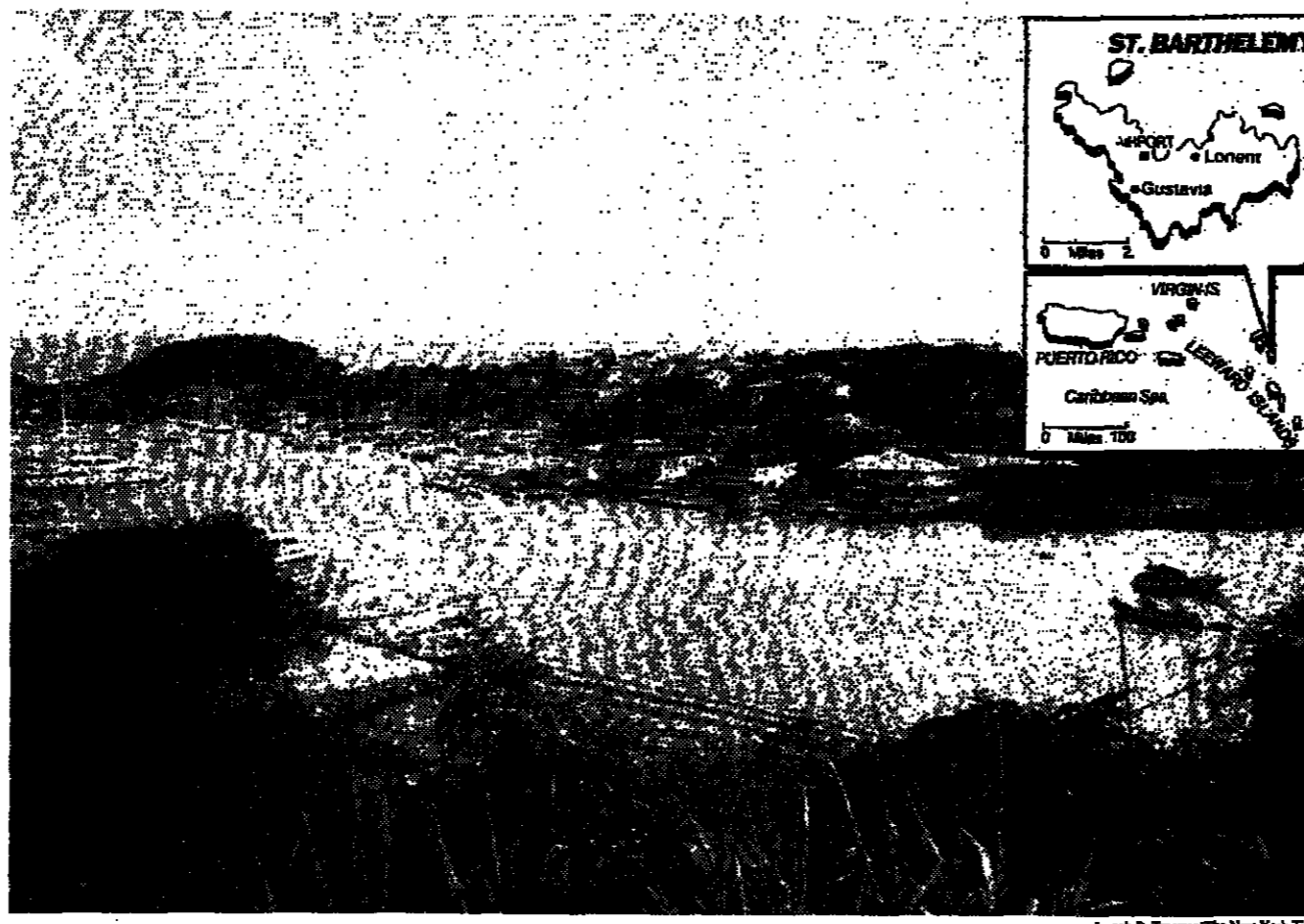
Now, 20 years later, 99 percent of high school graduates choose English as their mandatory foreign language. Many students still elect to be tested in a second or even a third foreign language, but over all, only 30 percent of Dutch youths take the French examination and only 55 percent the German exam.

"The study of foreign languages other than English has dropped dramatically compared with the days when all students were examined in French, German and English as a matter of course," said Adrie Keij, secretary of the Foundation for the Promotion of the German Language.

"No one would deny that English has become the dominant world language," he said, "but within Europe you can't hope to do business with a firm in a small town in France or Germany without being able to speak their language."

In their most important recommendation, the two business organizations called for Dutch children to be taught a minimum of two foreign languages, including one Romance language, to examination level.

A common argument against adding another language requirement to the curriculum is that it will take time away from the technical subjects needed to get a job in industry. As one businessman put it, the Japanese managed to export to the world without a great proficiency in foreign languages.



Gustavia's harbor, where yachtsmen start investigating the luxury shops and restaurants.



Wall Street Hurts a Caribbean Paradise

By Joseph B. Treaster
New York Times Service

GUSTAVIA, Saint Barthélemy — A lot of Americans with deep pockets think of this tiny French island as paradise. It is uncommonly neat and tidy. The hotels are small and quietly elegant. The food is exquisite and everywhere the eye turns there is natural beauty.

The island, which is better known to English-speaking visitors as Saint Barts, is also one of the most expensive vacation places in the Caribbean.

Saint Barts is not the kind of place where residents hover over stock market tickers. But this tourist season they all know that something terrible has happened on Wall Street and that the dollar is anemic. They know this from watching their cash registers.

The hotel trade, according to Marc Lipeze, the president of the hotel association, is off 20 percent. Charles Magras, the head of the merchants' association, said sales in the tourist shops that deal in luxury goods were down 50 percent. Many of the island's restaurants, which some compare favorably with first-rate establishments in New York and Paris, are doing as poorly, Mr. Magras said.

Tourism throughout the Caribbean appears to have eased off after last year's record growth of

9 percent, officials at the Caribbean Tourism Research and Development Center in Barbados said, at least partly from the ripple effect of the Wall Street plunge.

But the dollar's weakness has been more a factor on Saint Barts than on most other islands. The currency in most of the Caribbean is pegged to the dollar. But as a part of the French overseas department of Guadeloupe, Saint Barts, which lies about 185 miles (about 298 kilometers) southeast of Puerto Rico, does business in francs. The franc has nearly doubled in value against the dollar in the last two years. So for Americans, who make up nearly 90 percent of the island's clientele — Saint Barts, which was already in the exclusive category, has become almost twice as expensive.

In winter, the high tourist season, hotel rooms at \$200 and \$300 a night are not unusual in several of the higher-priced Caribbean islands. Suites at \$900 are not unheard of. But there are few rivals for the Saint Barts restaurants, where dinner for two can easily run \$150. A lemonade in an open-air cafe goes for \$5. And Mr. Magras said a T-shirt that might sell for \$10 elsewhere costs \$25 on Saint Barts. Most people also rent a jeep-like mini-car that adds \$40 or \$50 more to daily costs.

Looking at the island's tourist statistics and watching the American bankers, lawyers and doctors meandering through the narrow streets of Gustavia in baggy khakis and knit sport shirts, you would not think things were so bad. The figures show a slight decline in visitors in November, the month after the stock market's dive, an increase of about 2 percent in December and a drop of 4.5 percent in January.

Nevertheless, everyone says money is not flowing the way it used to. The downturn is particularly unsettling after a decade of almost uninterrupted growth and several years during which hotel occupancy was about 80 percent.

Mayor Daniel Blanchard said some of the slack may have resulted from the addition of about 100 hotel rooms in the last year.

The ebb in the commercial tide has rekindled an old debate on what Saint Barts ought to be. The island, which covers 9.8 square miles, a little less than half the size of Manhattan, was settled by Normans and Bretons more than 300 years ago and is one of the few places in the Caribbean with an almost entirely white population.

For about 100 years the island was controlled by Sweden. The Swedes decreed that residents would pay no taxes and that is still the case, although a few years ago the French government tried to impose an income tax and the island still has lawyers on retainer in Paris and Stockholm. There is no poverty and little unemployment.

Mr. Blanchard does not want swarms of visitors on Saint Barts. "We have to make a selection," he said, "and price is a technique for selection."

"Saint Barts is a very expensive place," the mayor said. "But a lot of tourists come to see me and say: 'Mayor, you do what you have to do to keep the island like it is.'"

Seoul Leaders Advised to Apologize And Indemnify Kwangju Victims

By Clyde Haberman
New York Times Service

SEOUL — A special government committee said on Tuesday that, in the name of national harmony, South Korea's new leadership should apologize and pay compensation to survivors of the 1980 massacre in Kwangju.

The panel, noting that eight years have passed since the incident, urged that the government act now to "restore the honor of the citizens of Kwangju." Officially named the Committee for the Promotion of Democracy and National Reconciliation, it also said that the government should stop describing the street protests that led to the killings as a rebellion, and should characterize them instead as part of a pro-democratic movement.

The recommendation was the first significant measure taken by an official body to heal still-fester wounds left by the Kwangju episode, in which troops gunned down unarmed civilians protesting a coup led by President Chun Doo Hwan, who was then a general.

By official count, nearly 200 people died, but Kwangju residents insist that a coverup has hidden the true death toll, which many of them put at 2,000.

The massacre was a pivotal event for South Korea. Because of Kwangju, many Koreans — arguably, most — have newly accepted the political legitimacy of Mr. Chun, whose term of office expires Wednesday at midnight. He will go by then to Roh Tae Woo, a fellow former general who helped him to grab power and who now takes office himself as South Korea's first freely elected president in 17 years.

Mr. Roh, accepting the committee's report, pledged to "abide by its spirit," but he did not say specifically what action he would take, or when.

In another important political development, the two main opposition leaders, Kim Young Sam and Kim Dae Jung, met Tuesday for the first time since before the presidential election on Dec. 16. It was the first clear sign that the Kims might be able to reunite after a ruinous falling-out in the fall, when they both insisted on running for president and thereby split the anti-government camp, allowing Mr. Roh to win with only 36.6 percent of the vote.

Opposition politicians worry that unless the Kims can patch up their differences, they will face another disaster in National Assembly elections expected in April. It is unclear, though, whether the two men can overcome serious personal and philosophical divisions in time.

In an attempt to encourage unity, Kim Young Sam gave up his party's presidency two weeks ago, although he clearly remains its dominant force. He agreed to the other Kim's formula for a pre-election reapportionment of the National Assembly. But thus far Kim Dae Jung has resisted pressure that he similarly step aside, saying he

Czech Journalists Cite Glasnost in an Effort To Register New Paper

By John Tagliabue
New York Times Service

PRAGUE — Citing precedents in the Soviet Union, a group of Czechoslovak journalists is negotiating with the government to register an independent newspaper.

The exercise, whose outcome is far from certain, is a measure of how much the Soviet Union is being looked to as a force for widening freedom in Czechoslovakia, a severely restricted society.

The independent newspaper, Lidowe Nowiny, or People's News, already has appeared in two regular monthly editions since Jan. 1. Its pages have featured sponsored political, cultural, economic and foreign news, including articles on U.S.-Soviet disarmament, reports on Afghanistan and Poland, theater and film reviews and a calendar of events 20 years ago.

"Now we are seeking to have the newspaper registered," said Jiri Ruml, the paper's editor.

The newspaper is a product of the thinking of journalists who enjoyed freedom to work during the intellectual blossoming of the "Prague Spring" of 1968, but were barred after the Soviet-led invasion that August.

Mr. Ruml was deputy editor of one of the liveliest publications of the period, the weekly news magazine Reporter.

The effort is draped in ironies. When Arvo Valtonen, the president of the Union of Estonian Writers in the Soviet Union, was interviewed for the first edition, the Czechoslovak police sought to block the meeting. "He discussed with them and became angry," a contributor to the newspaper said. "He said he published in Pravda. We had to calm him."

Although recent changes instituted by the Soviet leader, Mikhail S. Gorbachev, have done little to open intellectual and artistic life, Moscow has permitted a degree of independent journalism, as in the newspaper Glasnost, and the Polish government has allowed Roman Catholic intellectuals to publish an independent monthly journal of ideas.

"We spoke about the situation in Moscow," Mr. Ruml said of the talks he is conducting for the nine-member editorial board with the Federal Office for Printing and Information.

"He quoted government lawyers as saying that a major obstacle was a legal requirement that only organizations belonging to the National Front, the Communist-dominated alliance that includes labor unions and other social organizations, may publish newspapers.

But the editorial board, citing the example of Pacem in Terris, an association of Catholic priests friendly to the government that is not part of the National Front, proposed formation of a "society of friends of Lidowe Nowiny" to sponsor the newspaper. "They said to us, 'Try this as an experiment,'" Mr. Ruml said.

The experiment is particularly intriguing because Prague once enjoyed some of the most brilliant journalism in Central Europe, in both the Czech and German languages. This, however, gave way to a drab uniformity under Communist dominance.

The name Lidowe Nowiny was taken from a Prague newspaper that was banned in 1948.

Mr. Ruml said the idea now was to increase the frequency of publication gradually from monthly to daily, and to augment the present circulation of only several thousand copies.

Jiri Dienstbier, a banned journalist who spent three years in prison for publishing his anti-government views and is on the editorial board, said: "I am 51. We are the last people who in their 20s and 30s worked on uncensored newspapers. We are completely without a middle generation. The problem is how to teach a new generation."

Ferry That Sank In the Philippines Carried 3,000

By John Tagliabue
New York Times Service

MANILA — The Philippine National Bureau of Investigation says more than 3,000 ferry passengers, double the number listed on the ship's manifest, were on board the vessel that sank in December in the world's worst peacetime sea disaster.

A bureau official, Gordon Uy, said in a congressional hearing Monday that interviews with witnesses indicated that at least 3,000 passengers were on the ferry Dona Paz, along with 59 crew members. Officials in the Philippine port of Tacloban had put the figure at 3,601, Mr. Uy said. Some other estimates surpassed 4,000.

Only 26 survived the night collision between the Manila-bound ferry loaded with Christmas travelers and the oil-tanker Vector. Both ships sank.

Relatives of the Dona Paz survivors filed a nine billion peso (\$469 million) lawsuit on Monday against the shipowners, Sulpicio Lines, accusing the company of negligence. Sulpicio officials say the tanker was responsible for the collision.

Afghan Diplomat Missing in Rome

By John Tagliabue
United Press International

ROME — The Afghanistan Embassy in Rome has reported the disappearance of its chargé d'affaires, the Italian Foreign Ministry said Tuesday.

A spokesman confirmed that the embassy formally reported the disappearance of the Afghan mission chief, Mohamed Nazir Fedayi, to the ministry on Feb. 18.

But the ministry declined comment on a report in La Stampa, the Turin newspaper, that claimed Mr. Fedayi had defected to the United States with the help of the American secret services. The U.S. and Afghan embassies also declined comment.

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Handwritten Arabic text: "الجمهورية الجزائرية الديمقراطية الشعبية"

SPORTS / 1988 WINTER OLYMPICS

Rötsch Sweeps Biathlon Events With 2d Victory

Compiled by Our Staff From Dispatches
CALGARY, Alberta — Frank-Peter Rötsch of East Germany became the first man to sweep the individual Olympic biathlon events when he won the 10-kilometer race on Tuesday.

Rötsch, a 23-year-old East German policeman, had won the 20-kilometer title on Saturday. That distance was added to the Olympic program in 1960.

Valeri Medvedtsev of the Soviet Union, second to Rötsch in the 20-kilometer event, again was the silver medalist, and Sergei Tchepikov, also of the Soviet Union, took the bronze.

Both Soviets shot clean on the two shooting stations at Canmore Nordic Center while Rötsch had one miss. The miss meant that Rötsch had to ski a 150-meter penalty loop, but his superior skiing ability allowed him to beat Medvedtsev by 15.6 seconds in 25 minutes, 8.1 seconds.

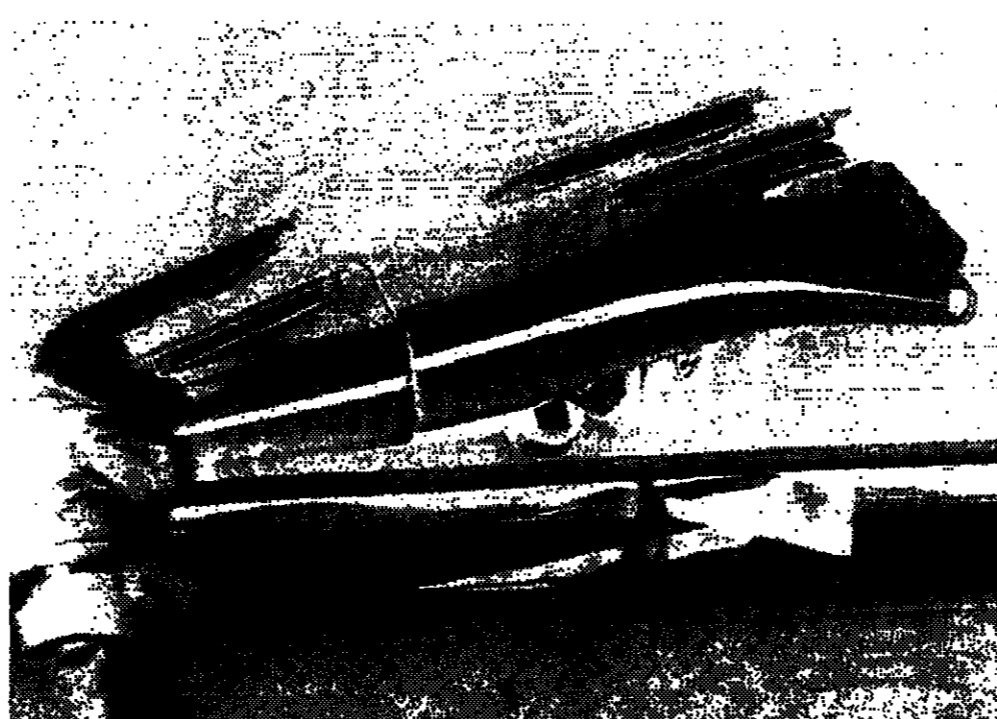
Medvedtsev was clocked at 25:23.7 and Tchepikov at 25:29.4. Fifty-five finishers broke the Olympic record of 30:53.8, set by Erik Kvalfoss of Norway in 1984. Kvalfoss of Norway, the defending Olympic champion, had a bad day, placing 19th among 72 finishers.

A year ago at Lake Placid, New York, Rötsch became the first biathlete ever to sweep three gold medals in the World Championships. He will try to duplicate that feat in the Olympics on Friday in the 30-kilometer relay.

For the first time since the opening ceremonies 10 days earlier, early outdoor event was held as planned on Tuesday. After a week in which strong winds blew constantly in and around Calgary, Tuesday dawned clear and calm.

In the Nordic combined team event, Hubert Schwarz had two almost perfect jumps to help West Germany take the lead after the ski jumping portion.

Schwarz had jumps of 288 feet, 41 inches and 292 feet, (88 and 89 meters), which combined with excellent style marks, gave him 227.2 out of a possible 240 points.



A spectator at left photographs Japan's bobsledder in the two-man event as it shoots down the course on its side. The sled tipped over during Monday's competition — won by the Soviet team — and stopped short of the finish line. The team members, Takao Sakai and Naomi Katewaki, were not injured.

all the problems that plagued the event Saturday and Sunday. Unlike Saturday, when speeds decreased during the day as the ice turned to rutted slush, speeds increased later Monday as the course ice over in the late afternoon.

The final two runs were originally scheduled for Sunday but were postponed when high winds covered the track with dirt, reducing speeds and making competition unfair.

Cold, biting winds of up to 35 mph (56 kph) on Monday forced the second delay of the 90-meter ski jump. Matti Nykanen of Finland, who won at 70 meters, had to wait until Tuesday to try to become the Winter Games' first double jumping gold medalist.

The 90-meter was originally scheduled for Saturday, postponed until Monday and then again delayed. But as the weather cleared on Tuesday, hopes rose that the 90-meter could finally be made up.

Rob McCormack, chief of competition for the event, called the waiting "psychological torture," and Torbjørn Yggeseth of Norway, an international jumping official, said it was "mental cruelty."

Since the Games began Feb. 13, bad weather, mainly high winds, has delayed competition in men's and women's downhill events and

Blair, U.S. Speed Skater, Sets Record, Wins Gold

By Thomas Boswell
Washington Post Service

CALGARY, Alberta — On the victory stand, Bonnie Blair, nose red and tears streaming down her narrow face, looked like a small wren perched between two hawks. However, sometimes a small bird, even one who shakes in her moment of triumph, can fly swift.

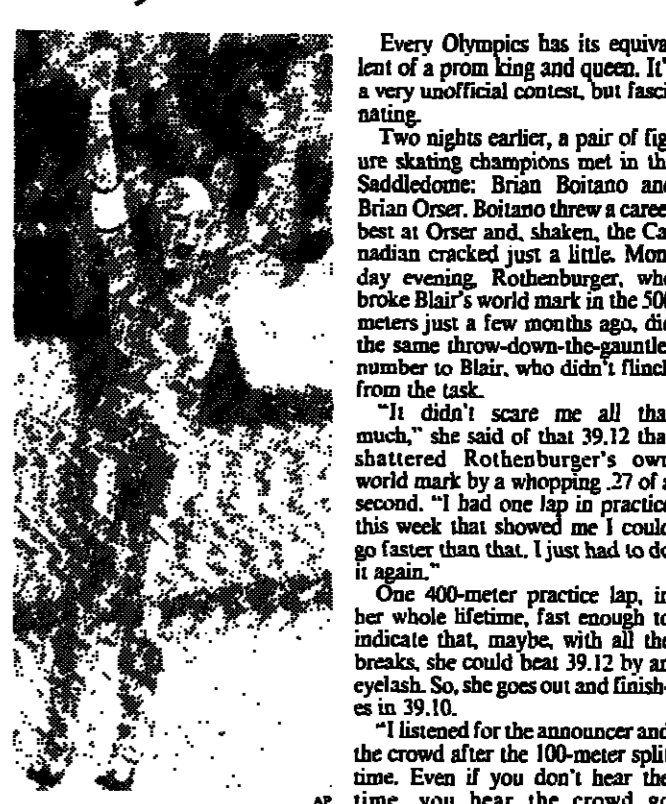
Blair, a 5-foot-3 (1.6-meter) mite, gave the United States only its second gold medal of the XV Winter Olympics on Monday night, winning the women's 500-meter speed skating. She took the starting line shortly after favored Christa Rothemburger, the world and defending Olympic champion from East Germany, had set the world record at 39.12 seconds, breaking her own previous mark of 39.39.

Blair, 23, of Champaign, Illinois, bettered Rothemburger's time at every interval and strode to the gold by two-hundredths of a second, in 39:10. Rothemburger won the silver, and Karin Kania, also of East Germany, won the bronze in 39.24.

How much is two one-hundredths of a second? One small birdlike heart beat, perhaps? In sports, such increments are not measures of time, but of fighting spirit.

Or, perhaps, they believe such things because experience tells them that's where the truth lies. "I think I just got it on guts," Blair told Eric Heiden, the Olympic speed-skating champion, after the race.

Even Rothemburger, Blair's rival for the past three years at 500 meters, said, graciously, "I skated first. I set a world record. Bonnie Blair's gold was the first for an American woman in Olympic speed skating since 1976, when Sheila Young won the same event. If America's arms do not go out to embrace Bonnie Blair for the rest of the Olympics, then we deserve a culture of cosmetics commercials.



Bonnie Blair skated after. She took the challenge. Blair's gold was the first for an American woman in Olympic speed skating since 1976, when Sheila Young won the same event.

Austrians Making a Strong Comeback in Skiing

By Peter Alfano
New York Times Service

MOUNT ALLAN, Alberta — The critics back home should be placated now. In a sport in which rivalries are fueled by nationalism, the Austrian skiers had fallen into disfavor as the neighboring Swiss had become all the rage of the Alpine set in the past two World Cup seasons.

While the Swiss collected medals, the Austrians lived on memories of Franz Klammer's almost death-defying downhill run for the gold in the 1976 Winter Olympics in Innsbruck, Austria.

The Calgary Games, though, will probably be remembered as the beginning of an Austrian renaissance in skiing.

On Monday, the country won its third gold medal when Sigrid Wolf won the super giant slalom in 1 minute 19.03 seconds, a full second faster than Michela Figini of Switzerland.

Although Switzerland leads Austria, 7-5, in total medals won in the Alpine events with four events to go, the Austrians have won three golds, compared with just one for the Swiss.



Sigrid Wolf of Austria after winning the super giant slalom.

Wolf's victory Monday followed Anita Wachter's gold medal performance in the combined. Hubert Strolz won the men's combined last week.

"I think they will be surprised back home," said Wachter, who finished fifth in the Super G. "When we are not in the first three, people say we are so bad, we cannot ski."

"But we thought our team was good. We thought about medals, but not so many gold medals."

She said that when Pirmin Zurbriggen of Switzerland won the men's downhill in the first Alpine event, people expected the worst again.

The downhill is skiing's most glamorous and dangerous race, and the Austrians are partial to it after Klammer became a national hero 12 years ago.

While Austria was rebuilding its team these past two years — concentrating on the technical events — the Swiss were being called the best team ever.

They won 8 of 10 events in last season's world championships; they held the top three positions in the women's World Cup standings this season, and Zurbriggen leads in the men's.

Figini, the women's leader in overall World Cup points this season, said, "Sigrid skis so well. All the time, it is too easy to say that the skis were not working."

Still, when her teammate, Maria Walliser, followed her down the course, failing to beat her time, Figini began entertaining thoughts of a gold medal.

Wolf, though, just did not make any mistakes, especially on the upper section of the course, where Percy, among others, said the going was tricky. When her time after two-thirds of the race was posted on the scoreboard near the finish line, the crowd roared as she was six-tenths of a second ahead of Figini.

"With the good results we are having in the World Cup this year," Wolf said, "it is not so astonishing what happened today."

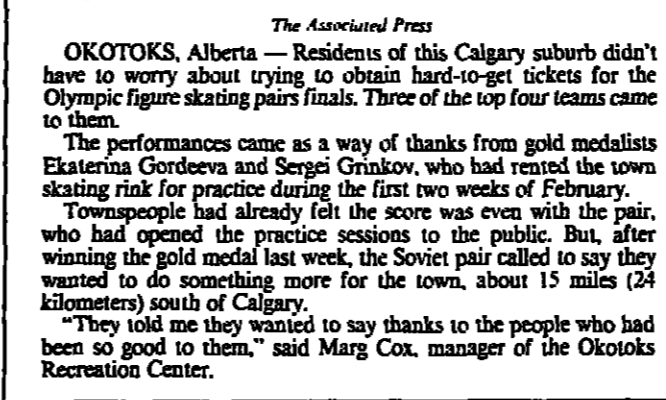
Special Thanks to a Home Away From Home

OKOTOKS, Alberta — Residents of this Calgary suburb didn't have to worry about trying to obtain hard-to-get tickets for the Olympic figure skating pairs finals. Three of the top four teams came to them.

The performances came as a way of thanks from gold medalists Ekaterina Gordeeva and Sergei Grinkov, who had rented the town skating rink for practice during the first two weeks of February.

Townspersons had already felt the score was even with the pair, who had opened the practice sessions to the public. But, after winning the gold medal last week, the Soviet pair called to say they wanted to do something more for the town, about 15 miles (24 kilometers) south of Calgary.

"They told me they wanted to say thanks to the people who had been so good to them," said Marg Cox, manager of the Okotoks Recreation Center.



The Associated Press

OLYMPIC RESULTS

MEDALS

Table with 3 columns: Medal, Country, and Points. Lists medalists for various events like Biathlon, Nordic Combined, and Hockey.

BIATHLON

Table with 3 columns: Medal, Name, Country, and Time. Lists results for 10-km, 20-km, and 30-km individual events.

NORDIC COMBINED

Table with 3 columns: Medal, Name, Country, and Points. Lists results for 70-meter ski jump and Nordic combined events.

HOCKEY

Table with 3 columns: Medal, Country, and Points. Lists results for men's and women's ice hockey events.

FIGURE SKATING

Table with 3 columns: Medal, Name, Country, and Points. Lists results for ice dancing and pair skating events.

SPEED SKATING

Table with 3 columns: Medal, Name, Country, and Time. Lists results for women's 500-meter and 1000-meter speed skating events.

SHORT-TRACK SPEED SKATING

Table with 3 columns: Medal, Name, Country, and Time. Lists results for men's and women's short-track speed skating events.

BOBSELED

Table with 3 columns: Medal, Name, Country, and Time. Lists results for two-man and four-man bobsled events.

WOMEN'S 500-METER

Table with 3 columns: Medal, Name, Country, and Time. Lists results for women's 500-meter speed skating event.

WEDNESDAY'S EVENTS

Table with 3 columns: Event, Time, and Location. Lists the schedule for Wednesday's events.

OLYMPIC NOTEBOOK

Compiled by Our Staff From Dispatches
Negotiations that would produce the importation of players from the Soviet Union to the National Hockey League were scheduled to continue Tuesday between John Ziegler and Allan Eagleson of the NHL and Marat Grinov and Vyacheslav Gavralin of the Soviet Sports Federation.

Advertisement for Blancpain watches. Features the text 'BLANCPAIN SINCE 1735 THERE HAS NEVER BEEN A QUARTZ BLANCPAIN WATCH AND THERE NEVER WILL BE.' and an image of a Blancpain watch.

Vertical text on the left edge of the page, including 'Journalists Cite an Effort for New Paper' and 'Ferry That Sank in the Philippine Carried 3,000'.

SPORTS

Seton Hall Bids Fair, Stunning Pitt, 89-72

The Associated Press
EAST RUTHERFORD, New Jersey — Trivia time: Name the only team in the Big East Conference that has never received a bid to the NCAA basketball tournament. Right: Seton Hall.

But maybe not for long. Seton Hall (18-10) landed its first national championship tournament berth Monday night in a major step toward ending its first national championship tournament berth.

Riding an 18-2 run late in the second half and a career-high 32-point performance by Mark Bryant, the unranked Pirates upset No. 6 Pittsburgh, 89-72.

"The NCAAs have been our goal since the beginning of the season," Bryant said. "This win should help us toward that."

Having the game on national television didn't hurt Seton Hall's chances either. An ESPN audience saw the Pirates' overtime Pittsburgh by 25-6 in the final 6:22, holding the Panthers to just one field goal during that span.

But the biggest factor was Bryant. Early in the game, the 6-foot-9 (205-measure) senior told his teammates he wanted the ball and they made sure he got it. Bryant hit 13 of 22 shots from the field, all six of his free throws and proved a force underneath on both ends of the courts, matching his season-high with 16 rebounds.

During the second half, Pitt's talented front line of Demetrius Gore, Jerome Lane and Charles Smith combined for just 14 points. They all fouled out trying to stop Bryant.

"It was easily the best game Bryant has ever played against us," Smith said. "We knew that Seton Hall was going to put everything on the line tonight and still we weren't able to handle it."

Pittsburgh (19-4) had entered the game with nine victories in 11 Big East games and had just moved up two notches in the college basketball poll.

Coach Paul Evans felt for the most part that his team gave up in the final minutes. "This was a case



When Bobby Martin (55) went up for this first-half shot Monday night, Seton Hall's Ramon Ramos was right there to tip it away.

record himself by scoring 49 for Detroit. "I picked up some things that I'm going to try to incorporate into my own game. That's what I try to do whenever I'm able to play against a spectacular player."

Hawkins' 63 points also broke the Missouri Valley Conference record of 62 points set in 1960 by Oscar Robertson of Cincinnati against North Texas State. Hawkins, the leading scorer in NCAA Division I, went into the game with a 34.4 average.

Notre Dame 66, Creighton 54. In South Bend, Indiana, David Rivers, who went nearly 29 minutes before his first field goal, scored 12 of his 13 points in the second half to lead Notre Dame (17-7).

Creighton (13-15) pulled to within 47-45 on a turnaround jumper by Chad Gallagher, but then went more than three minutes without scoring as the Irish put together a decisive nine-point spurt.

Creighton scored only three points on four free-throw attempts, compared with a 24 of 34 by Notre Dame.

Biggies Bending the Knee to FIFA

International Herald Tribune
LONDON — We sometimes think our world has no pivot, no one and nothing to bring different cultures within one set of rules. Maybe we're wrong.

Some think Dr. João Havelange, self-styled godfather of a simple game called soccer, is the septuagenarian to bridge some gaps between disparate nations.

Why not? He currently has the ear of the prime minister of France, the president of the United States and the king of Morocco. Sooner or later — probably in Seoul — Soviets and Chinese will also court the good doctor.

It may be the man's personal charisma, but I doubt it. I think he has something they all want: the decisive say in who stages soccer's World Cups.

Whatever their ideological differences, Jacques Chirac, Ronald Reagan, and King Hassan II can read balance sheets. In any language, a leader looks for cost-free ways to give his people something and improve his popularity.

World Cups reap Olympian profits without political side-effects. Soccer's last finale was bestowed on Mexico at short notice and the Mexicans — hugely in debt and devastated by earthquake — put on a television show watched by 12.8 billion. It also delivered proceeds of \$1.42 billion.

Small wonder that Chirac, who likes sport and loves grandeur, has lobbied into his presidential canvassing the prospect of a World Cup in France.

Chirac went a little far in telling folks that he and Havelange have "already negotiated" the 1998 cup. For contract with Havelange, we must substitute contact; but the prime minister insists he will do everything necessary to get the 1998 tournament.

All's fair in electioneering. Planning for an Olympics did no harm to Chirac's mayoral campaign in Paris, and a World Cup embracing 12 or more cities is a vote-seeker's dream.

Where Chirac gambles is on the strength of Gallic appetite for soccer. Frenchmen of my acquaintance would at this moment prefer

to be offered a rugby world cup that they might possibly win and would in any case play in style.

In soccer, the French are mourning the passing of a great team. The country has failed to qualify to defend its European Nations Cup this summer, and if Chirac knows of a

Rob Hughes
Platini or a Giresse in embryo, he should tell the nation — indeed, tell the world.

While we wait, Chirac will soon be able to demonstrate the cordiality behind his electoral gun-jumping. Havelange is due in Paris from March 4-9.

But, as FIFA points out, Havelange is not a man alone. He has a 24-man executive committee with 1994, not 1998, on its mind. An inspection group committee is beavering away checking the infrastruc-

tures of 1994 candidates — Brazil, Morocco and the United States. Hard as we try, there's no getting away from Havelange. Morocco and the United States certainly value his influence.

King Hassan last summer presented Havelange with the Grand Cordon Alaouite as an expression of "respect for FIFA's president and a token of thanks for his humanitarian activities all over the world."

The king and Havelange will meet again in Casablanca March 9-14, just before the African Nations Cup, which may show off Moroccan organization and facilities.

Africa has never hosted a World Cup, but Havelange has a commitment to that continent. Much of his power came from Third World votes, and Algeria and Morocco have splendidly adorned his enlarged World Cup forum.

Yet the United States also presents itself as a newcomer eager for 1994. Reagan received Havelange at the White House in November, assuring him of federal guarantees. With backers like Coca-Cola, Gillette, Budweiser and Union Pacific, few doubt that the U.S.A. could deliver a \$100 million cup profit.

The states have the market, the technology, the stadiums, but do they have the grassroots of soccer fanaticism? Well, as Havelange helpfully points out, this is the nation that filled its arenas with 1.4 million people for 1984 Olympic soccer games.

He hears claims that something between three and five million young Americans now play his game, so in the year of the U.S. Soccer Federation's 75th anniversary, the baby finally begins to grow.

It would be nice if the United States actually had a man's league, and Werner Fricker, president of the USSF, promises that by 1990 it will have a professional championship that, this time, will be the real thing. R.I.P., North American Soccer League.

When Havelange began marking the American cards of what was required, he talked of the necessity of choosing one coast or the other, east or west, and the need for specific soccer stadiums.

All quiet on that front. I understand that the American bid includes a wide span of 16 stadiums (10 with natural-grass surfaces, thank heavens) spread the breadth of the land. Venues like Palmer Stadium in Princeton, New Jersey, Miami's Orange Bowl, Arrowhead Stadium in Kansas City, Missouri, and the Rose Bowl in Pasadena, California, may not convince everybody they are purpose-built soccer grounds, but they sure are spacious.

SCOREBOARD

Table with columns for Golf, PGA Leaders, and Hockey. Includes names of players and scores.

Basketball

Table with columns for National Basketball Association Leaders and College Top-20 Polls. Lists team names and statistics.

Quick Verdict

Not Expected In Baseball's Collusion Case
By Ross Newhan
LOS ANGELES — Amid speculation that spring training or the early phase of the season could be disrupted by a decision that would award immediate free agency to a number of key players in baseball's second collusion case, arbitrator George Nicolau said late Monday that it isn't going to happen.

Facets of the Diamond

Are Smoothed by Age
By George F. Will
COOPERSTOWN, New York — There, now. Warm your chapped hands in the glow of that dateless. This village, to which baseball addicts trek for a February fix, is a place to ponder something not frequently noticeable in the modern age: progress.

Dining Out
Paris 2nd, Ashiana, La Chevauchee, Franqui, Genevieve, La Coupole, Au Vieux Stand, L'Espresso, Le Jardin Violet, Paris 17th, Goldenberg Wagram.

NBA Standings
Eastern Conference, Central Division, Western Conference, Midwest Division, Pacific Division. Includes team names and win/loss records.

Transition
Baseball, Football, Hockey, Soccer. News snippets about various sports events and league decisions.

U.S. College Results
East, Midwest, Pacific, Mountain West, South. Lists college names and their respective win/loss records.

Large vertical advertisement on the right edge of the page, partially cut off. Includes the name 'LEON' at the top and 'BOONESBURY' in the middle. The text is mostly illegible due to the image quality and angle.

ARTS / LEISURE

'LEONARDO': Strange Voyage of Sketch

(Continued from Page 1)

Some of Leonardo's most celebrated drawings have undergone this salvaging process...

Satisfied by such credentials, Mr. Van Rijn concluded the transaction. Long after the transaction of 1984, Professor Pedretti referred to this notice as an unpublished catalogue entry...

Enter Yoko Nakamura, then president and owner of the Gekko Art Gallery in Tokyo, which deals in Western art (she has since resigned). Gekko acquired the sketch from Mr. Van Rijn on Sept. 14, 1985, for \$500,000...

Act 2 begins in Tokyo with most of the action taking place at the headquarters of the Sekai Kyusei Kyo religious group. It was founded in 1935 by the late Mokichi Okada...

which he gave to the museum that he created in Hakone in 1952.

Continuing to collect, he bequeathed his new possessions to a second museum set up as an independent body, the MOA Museum of Art at Atami, which opened in his lifetime in 1954.

Mrs. Nakamura informed the board of the SKK that a Leonardo sketch was available on the Gekko premises. She is alleged to have said she had bought it from Mr. Van Rijn for \$6.5 million...

There has apparently never been an explanation from either side for the clash with Mr. Van Rijn's stated price of about \$500,000.

At that point, according to the minutes of the board meeting dated Aug. 24, 1985, new considerations were brought into the matter. At Okada, predicting catastrophe, retired to the countryside when his movement was banned by imperial decree...

that it was in a difficult financial path, and that it was threatened with bankruptcy if the deal did not go through. It added that the SKK would be liable for enormous damages if Gekko sued for breach of contract.

According to the minutes the lawyer added that "this work of Da Vinci has been examined by a scholar of the artist... the leading expert in the world Professor Pedretti, who has issued a certificate of authenticity for the work."

Professor Pedretti took pains later to point out in a letter to a number of museums dated Jan. 22, 1986, that he does not issue authentication certificates and that improper use was being made of opinions expressed in private correspondence.

After renewed warnings made to the SKK board of possible lawsuits, a compromise was reached at a board meeting on Oct. 21, 1985. At that stage Gekko was arguing that a link to the Japanese press had made it impossible for it to get a bank loan.

When the next meeting of the board took place on Feb. 4, Mr. Kikawa declared that the drawing could only be displayed in Milan in some MOA location since the Italian authorities believed it to be in that city. The next day, it was de-

send a team to Italy to go deeper into the question of the Leonardo attribution. At that stage, the loans made to the art gallery were inspiring considerable anxiety.

A team consisting of attorney Kikawa, another attorney, Makoto Sakaoka, and Haruki Iwamoto, who speaks English, went to Rome in early November. There is no evidence that they consulted a recognized Leonardo authority. It is known, however, that they showed the drawing to the Brera Soprintendente, even though this was not the stated object of the mission.

The SKK board did not immediately learn the details of the trip. On Nov. 16, Mr. Sakaoka described to a party of trainees at the SKK how the precious "Leonardo" had been carried to Italy, apparently in an ordinary attaché case. His statements were taped with the rest of his lecture by one of the trainees, several of whom later confirmed its contents in their testimonies.

It apparently took two months for this information to filter back to the SKK board. Mr. Sakaoka and Mr. Kikawa meanwhile prepared a memo advising that the SKK or the MOA Foundation set up an Italian branch.

decided to buy the drawing, but Mr. Nakano was determined to kill the decision and it was reversed on March 15, 1986.

The board got Mr. Iwamoto to remove the drawing from the museum. Together, the MOA Foundation and the SKK put pressure on Gekko to agree to take back the drawing with a provision stipulating that the work would be returned to Italy. This is believed to have been carried out before the end of 1986, still on the hush-hush.

President Matsumoto was relieved of his position by the SKK board, a decision that he did not accept — but this is now moot as his presidency expires on March 27. The SKK severed its links with attorney Kikawa. Later, Yoko Nakamura, who sent a letter of apology to the SKK board for misrepresenting the nature of the statements made by Professor Pedretti, resigned as president of Gekko Inc.

There are several lessons to be drawn from the saga of the "Leonardo" that many scholars firmly believe is not by the master. In this case, Italian and Japanese law deal with the events when Act 3, currently being played behind the scenes, is finally resolved.



Barbara Cook in "Carrie": Will this show mark the end of British invasion of Broadway?

Teen-Pulp at Stratford

By Sheridan Morley

LONDON — "Carrie," which plays at Stratford-upon-Avon until mid-March before opening on Broadway at the end of April, is the Royal Shakespeare Company's fifth big-band show in recent years, and though it lacks much of the power and coherence of the other four — "Les Misérables," "Kiss Me Kate," "Poppy" and "Wizard of Oz" — it is by no means the disonorable disaster that some critics would have you believe.

There is no economic or artistic reason why the RSC should not tackle original musicals, just as it tackles new drama or old Shakespeare. Musicals are not the most vital important form of all 20th-century theater, and the classical company which ignores that deserves to die the lingering death of the Comédie Française or the Berliner Ensemble.

But the problem here is Stephen King's book: a trashy teen-pulp saga of menstruation and paranoiac revenge. There is quite simply no plot, unless you count the saga of a latter-day middle-American Cinderella going to the high-school ball and turning her fingers into flames before the whole ghastly affair degenerates into a kind of laser exhibition.

Despite Ralph Koltai's spectacular set, which can turn itself into gymnasiums and drive-in cinemas

and rustic kitchens, and which on the first night frequently threatened to decapitate the show's only other true star, Barbara Cook, nothing on the Stratford stage can rival that chilling movie moment when a hand comes up through a grave during the final titles. We are left wondering why a director with the taste and intelligence and courage of Terry Hands should have decided to devote so much time and rehearsal effort to the kind of airport-bookstand shocker that teen-agers throw away with their hamburger cartons and empty drink cans.

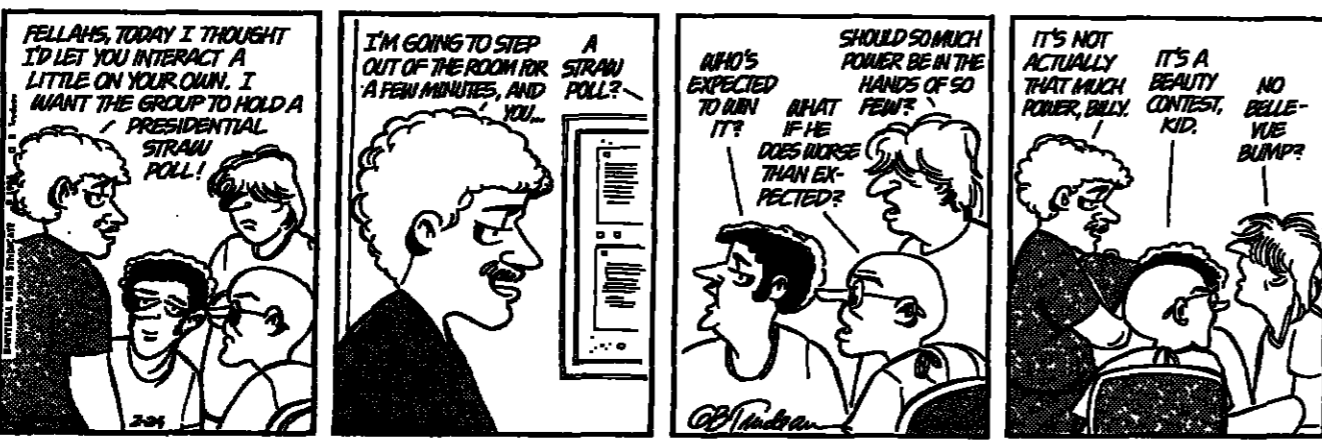
Debbie Allen's choreography has a kind of energy but not a lot of coherence, while the score by Michael Gore and Dean Pitchford allows Cook as the mad Evangelical mother and Linzi Hately as the telekinetic daughter, a pre-"Oz" Judy Garland with magical powers, a couple of good duets. But nothing can hide the kitsch of a gimmicky, flashy and ultimately empty show set somewhere halfway from "Grease" to a nightmare by Norman Rockwell. All of which is a little sad. Considering that "Carrie" is due to open in New York the night after "Chess" it could well mark the end of the British musical invasion of Broadway.

Better news at the Cambridge, where five years after its Broadway debut with Liza Minnelli and Chita Rivera we at last get a London look at "The Rink." John Kander and Fred Ebb's edgy, brittle, very musical also about a mother and daughter in crisis, though this time only because they are slugging out the future of the family roller-rink in a tacky American fairground.

This score has always been an object lesson to the makers of "Starlight Express" in how to do roller-skating musicals, but its real importance lies in a succession of great and glibby songs. Josephine Blake and Diane Langton may lack the Broadway fame of their predecessors, but they manage a dynamic and tough and credible double act. Time and time again that blazing score comes to the aid of Terence McNally's thin plot, which lurches backwards and forwards through flashbacks to pinpoint the familial troubles between mother and daughter.

The acid edge of Brecht and Weill at their best has always been evident in Kander and Ebb's post-"Cabaret" work. A dazzling series of showstoppers takes the roof off a theater where they deserve to be heard for a long time to come, even if the almost total self-containment of those songs does make for an ultimately irrelevant storyline.

DOONESBURY



HELLAHS, TODAY I THOUGHT I'D LET YOU INTERACT A LITTLE ON YOUR OWN. I WANT THE GROUP TO HOLD A PRESIDENTIAL STRAW POLL!

I'M GOING TO STEP OUT OF THE ROOM FOR STRAW A FEW MINUTES, AND POLL?

AND'S EXPECTED TO RUN WHAT IT?

IT'S NOT ACTUALLY THAT MUCH FUN, BUT, BLEX, IT'S A BEAUTY CONTEST, WRE WRE BUNNY?

NYSE Most Actives table with columns for Volume, High, Low, Last, and Change for various stocks.

Market Sales table showing NYSE 4 AM volume, NYSE prev. close, and other market statistics.

NYSE Index table showing Composite, High, Low, Last, and Change for various indices.

Tuesday's NYSE Closing table with columns for Open, High, Low, Last, and Close.

AMEX Diary table showing Advanced, Declined, Unchanged, Total Issues, and New Lows.

NASDAQ Index table showing Composite, High, Low, Last, and Change.

AMEX Most Actives table showing Volume, High, Low, Last, and Change for active stocks.

Dow Jones Bond Averages table showing Bonds, Utilities, and Industrials.

NYSE Diary table showing Advanced, Declined, Unchanged, Total Issues, and New Lows.

Odd-Lot Trading in N.Y. table showing Buy, Sell, and Volume for various dates.

Dow Jones Averages table showing Industrials, Transp., Utilities, and Composite.

Standard & Poor's Index table showing Industrials, Transp., Utilities, and Composite.

NASDAQ Diary table showing Advanced, Declined, Unchanged, Total Issues, and New Lows.

AMEX Stock Index table showing High, Low, Last, and Change.

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

NYSE Mixed in Active Trading

NEW YORK — Prices on the New York Stock Exchange closed mixed Tuesday in active trading. Profit-taking and concern over the outlook for interest rates combined to stall the market's bid to regain its highest level since October.

The Dow Jones industrial average fell 1.17 to close at 2,039.12 after rising 25.70 Monday. Advances edged out declines by a 19-18 ratio. Volume was 192.26 million shares, up from 178.93 million Monday.

The Dow had been down more than 15 points before recovering. Early in the session, the index showed modest gains. But it stumbled as it approached the level of 2,051.89 reached on Jan. 7, the highest point since the October market plunge.

"The market gave a pretty good accounting of itself," said Don R. Hays, director of investment strategy at Wheat, First Securities in Richmond, Virginia. "It got itself into an overbought condition in the past couple of days, and this is one of those rising type of days. I expect several more like it."

Mr. Hays said there was "a slow progression of people returning" to stocks as investors grew more optimistic. Trade Latimer, a market analyst with Josephthal & Co., said the market's weakness reflected the impact of some program trading and comments made by Alan Greenspan, the Federal Reserve Board chairman, to a House banking committee.

"Greenspan said we are not in the final stages of an economic expansion, and appeared very

comfortable with the status quo," Ms. Latimer said. "When things are not so bad, then interest rates must be OK, and might not come down," she said. "An expanding economy does not encourage the Fed to drop interest rates."

Mr. Greenspan said in his congressional testimony that "until fairly recently and, in fact even now, the economy does not exhibit the prairie characteristics of the very late stages of a business cycle expansion."

"This is not a bad market at all," Ms. Latimer noted. "We may have to pull back to gather some momentum, but we are going to break through" the Jan. 7 level. "We may not do it today or tomorrow, but we will do it even if it takes us a week to stabilize before we make the final attack."

Philadelphia Electric was the most active NYSE-listed issue, unchanged at 19 1/4. Dominion Resources followed, unchanged at 4 1/4. Northeast Utilities was third, up 1/4 to 20 1/2. AT&T was off 1/4 to 29 1/2. IBM gained 1/4 to 115 1/2.

American Standard was up 1/4 to 68 1/2. Black & Decker increased its bid for the company to \$68 a share from \$65 a share. Black & Decker was off 1/4 to 19 1/2.

Among other blue chips, General Electric was off 1/4 to 44 1/2. American Express was down 1/4 to 25 1/2. USX was down 1/4 to 32 and Eastman Kodak was up 1/4 to 41 1/4.

Prices were lower in moderate trading on the American Stock Exchange.

NYSE Mixed in Active Trading table listing various stocks with columns for 12 Month High/Low, Div. Yld. PE, and Change.

AMEX Most Actives table listing active stocks on the American Stock Exchange.

NASDAQ Most Actives table listing active stocks on the NASDAQ market.

AMEX Stock Index table listing various stocks and their prices.

AMEX Most Actives table listing active stocks on the American Stock Exchange.

NYSE Most Actives table listing active stocks on the New York Stock Exchange.

Market Sales table showing NYSE 4 AM volume and other market statistics.

NYSE Index table showing Composite, High, Low, Last, and Change for various indices.

Tuesday's NYSE Closing table with columns for Open, High, Low, Last, and Close.

AMEX Diary table showing Advanced, Declined, Unchanged, Total Issues, and New Lows.

NASDAQ Index table showing Composite, High, Low, Last, and Change.

AMEX Most Actives table showing Volume, High, Low, Last, and Change for active stocks.

AMEX Stock Index table showing High, Low, Last, and Change.

(Continued on next page)

Encouraging creativity...



WEDNESDAY, FEBRUARY 24, 1988

Herald Tribune

BUSINESS/FINANCE

with advanced technology.



Page 11

MADISON AVENUE

Commercial as Miniseries Is Dramatically Successful

LOS ANGELES — The story of Garland, Lawrence and Mary Ellen unfolded over 12 episodes. As boys during the 1920s, Garland and Lawrence became fast friends. They helped each other through the Depression of the 1930s and vied for the affections of Mary Ellen. When they returned home from war in the 1940s, Mary Ellen chose to marry Garland — but the two men remained best friends, usually keeping in touch over the phone.

It was not a regular television miniseries, but an advertising campaign for Pacific Bell. And in the search for a way to break through the clutter of competing commercials, the idea of using dramatic, episodic commercials seems to have been a runaway success. The campaign generated loads of mail and phone calls and won several awards.

The stars of the Pacific Bell series kept in touch — by telephone.

Pacific Bell, in fact, was so happy that it has now begun to air a new, seven-part minidrama called "The Rain Children." It is about the efforts of a brother and sister to keep their family together — often by telephone.

Many advertisers try to build some continuity into their commercials. Adolph Coors Co. has run a series of vignettes set in the fictional "Silver Bullet" tavern to promote its light beer. But probably never before has an advertiser used such elaborate plots, spread over so many commercials. Both the "Garland" and "Rain Children" campaigns were written by Robert Black, a creative director at Foote, Cone & Belding in San Francisco.

As part of the celebration of the 1,000th birthday of Dublin, the advertising partnership of the Irish Tourist Board and Aer Lingus will run a high-toned Sunday newspaper insert on May 1 to reach the most affluent consumers in their four best U.S. tourist markets.

"The Dublin Millennium" will be carried in fractional press runs of The New York Times, the Los Angeles Times, the Boston Globe and the Chicago Tribune going to neighborhoods where people are generally prosperous.

THE FIRST ISSUE OF Fortune France has the chairmen of Louis Vuitton and Moët-Hennessy on the cover toasting one another with — what else? — champagne. Their luxury-goods conglomerate is the subject of the article.

The new Fortune, which reached French news kiosks Feb. 4, is a joint venture of Time Inc. and Hachette Filipacchi, the big French publishing house that owns Paris Match and Elle. The deal is a 50-50 joint venture, with Hachette the managing partner. Fortune France is the first of what Time's management hopes will be a large number of such publications. Fortune's American publisher, Jim Hayes, said the company was talking with publishers in West Germany, Italy and Spain and was expecting proposals on joint ventures from Hong Kong and Taiwan.

Accounts

• Characteristic Tour Eiffel, which sells pastries and delicatessen meals to American supermarkets and specialty stores, to Image Concepts, Paramus, New Jersey.

• Great American Magazine, a sales agency for magazine subscriptions, to Rosenfeld, Sirowitz, Humphrey & Strauss.

People

• Hiram Walker to Eissman, Johns & Laws, Chicago, for Irish Mist Liqueur assignment.

• Majorie Kalter has been named senior vice president at Wunderman Worldwide, the direct marketing subsidiary of Young & Rubicam.

NatWest Profit Falls 30%

Bank Posts Result Of £704 Million

By Warren Getler International Herald Tribune

LONDON — National Westminster Bank PLC reported Tuesday that its pretax profit fell 30 percent to £704 million (\$1.23 billion) in 1987, with debt provisions and investment banking losses eclipsing a surge in domestic retail banking earnings.

Britain's largest and most profitable bank attributed the result to a £562 million one-time charge for provisions on bad and doubtful loans to developing countries. NatWest posted a record £1.01 billion profit in 1986.

The results were at the low end of analysts' forecasts. Separately, the bank said it had accepted with "regret" the resignations of the two top executives at the group's investment banking arm, County NatWest.

Their departure follows reports that County NatWest's management has failed to adequately supervise its traders since the stock market collapse in October.

The unit's holding company, NatWest Investment Bank Ltd., posted a £116 million loss for 1987 after a £38 million loss in 1986. Contributing to last year's loss, the company said, was a £30 million charge related to losses in the stock market downturn.

NatWest's chairman, Lord Boardman, said that the parent bank remained committed to the investment banking division, even though it is not likely to post profits for "several years."

NatWest Investment Bank posted a £12.1 million trading loss for the year, reflecting poor results in the Eurobond market, in British government bonds, or gilts, and in international equities. It also took a £47.5 million charge on its underwriting of an undersubscribed share issue by Blue Arrow PLC.

The division also is believed to have lost several million pounds when young dealers exceeded their trading limits in options. New

See NATWEST, Page 14



A steel plant in Gary, Indiana, run by USX Corp., whose per-ton output costs now match Japan's.

U.S. Industry: A Boast Too Soon?

Productivity Is Indeed Up, but Foreigners are Gaining

By Claudia H. Deutsch New York Times Service

NEW YORK — Throughout the United States, corporate chiefs are exulting in American industry's rebound from the competitive doldrums. In speeches and annual reports, they boast of how they have cut the fat out of management and sold businesses that did not jibe with overall corporate strategy.

They say they have attacked problems of quality, both by reeducating workers and installing technology that alerts employees if a machine produces faulty parts. And they usually end with a plea to Washington to do the rest of the job, by implementing better monetary, trade and tax policies.

But are the executives resting on laurels they have not yet earned? Economists and many academicians, along with a handful of prominent business leaders, say they are.

These experts worry that quality problems are alleviated, but not solved; that it still takes too long to get products from lab to

market; that workers and management remain at odds in too many plants, and that U.S. companies retain a provincial attitude toward world markets.

"We've come a third of the

'Cutting costs isn't the answer; that can be done by stupid arbitrary judgments.'

Andrew C. Sigler Champion's chairman

way to regaining competitiveness by slashing costs and improving productivity, but clearly, we have not done enough," said Jerry J. Jasnowski, senior vice president of the National Association of Manufacturers.

Andrew C. Sigler, chairman of Champion International Inc., is blunter. "Cutting isn't the answer; that can be done by stupid arbitrary judgments," he said.

"Competitive companies must

understand how to motivate people to be productive, and that is hard as hell."

No one doubts that progress has been made. Indeed, sales per employee, a key productivity measure, have skyrocketed at most companies. Factory productivity is rising in almost every industry. Exports are surging to the point where the trade deficit narrowed by 25 percent in November, and shrank again in December.

Manufacturing costs are down from 15 to 25 percent, and administrative costs have been cut even more. Numerous companies have installed just-in-time inventory control, a system in which suppliers deliver quality-guaranteed parts that are used immediately rather than placed in stock. Hewlett-Packard Co. has chopped \$600 million a year from its inventory carrying costs through such a system.

Even USX Corp., a company frequently cited as an example of all that is wrong with American competitiveness, can point to im-

See COMPETE, Page 13

Durables Orders Fell by 2.8% in U.S. Last Month

Compiled by Our Staff From Dispatches

WASHINGTON — New orders received by U.S. manufacturers for durable goods fell 2.8 percent in January, the biggest decline in a year, the Commerce Department reported Tuesday.

The weakness resulted mainly from a decline in orders for aircraft, motor vehicles and primary metals such as steel. Analysts were not alarmed by the downturn, which followed a healthy 4.1 percent increase in overall orders in December.

The December advance had been the largest gain in nine months. Orders for durable goods, items designed to last three years or more, fell to \$112.2 billion in January from \$115.5 billion in December. The 2.8 percent drop was the largest setback since an 8 percent fall in January 1987.

Excluding military orders, durable goods orders were down 2.1 percent. That matched the decline in August, which was the steepest since a 6.9 percent downturn, also in January of last year.

Within the key category of non-military capital goods, however, orders climbed 1.6 percent to \$34.4 billion. A downturn in orders for civilian aircraft and parts was more than offset by increases in several machinery categories, including office and computing equipment.

"I would not take a negative view of this report," said Norman Robertson, chief economist at Mellon Bank in Pittsburgh. "It continues to show strength in the key capital spending sectors."

Spending for new equipment showed a pattern of moderate growth, he said. "There is nothing to indicate that the economy, or the industrial part of the economy, is sliding into an early recession."

David Wynn of Data Resources Inc., an economic forecasting firm in Lexington, Massachusetts, agreed that nonmilitary capital spending was "most encouraging."

"That means investment was up after a strong December," he said. Analysts also noted that new orders in January were 15.5 percent higher than a year earlier, reflecting strong export demand resulting from the decline in the dollar.

Orders for transportation equipment fell by \$3.8 billion or 12.4 percent in January to \$27.2 billion, reflecting a decline in aircraft and motor vehicles as well as parts in both categories.

Orders for primary metals declined \$1.9 billion or 15.5 percent to \$10.2 billion, offsetting a 10.5 percent increase in December, the department said.

New orders for electrical machinery rose 5.5 percent in January to \$20.8 billion, the fourth increase in the category in five months. Orders for non-electrical machinery grew by 3.8 percent to \$20.3 billion, after 6.3 percent in December.

New orders for military capital goods fell for the sixth time in seven months, by 12.1 percent to \$7.9 billion. (UPI, AP)

U.K. Economy Grew by 1% in Fourth Quarter

Reuters

LONDON — Britain's gross domestic product rose by 1 percent in the fourth quarter of 1987 from the previous quarter, according to preliminary government data released Tuesday.

GDP, on the basis of economic output, grew 5.26 percent in the quarter from a year earlier, the Central Statistical Office said. GDP had risen 2.1 percent in the third quarter from the second, giving an annual growth rate of 5.23 percent at that time.

The office said that fourth-quarter growth was led by manufacturing, which grew 1.5 percent from the third.

The office said output data is the most reliable measure of short-term changes in GDP, which is the total output of goods and services, minus income from operations abroad. The other measures are on income and expenditure.

Daimler Still Reluctant On Messerschmitt Stake

Chairman Says Airbus Is Problem

By Ferdinand Protzman International Herald Tribune

STUTTGART — Despite urging from federal and state governments, Daimler-Benz AG is not interested in acquiring an interest in Messerschmitt-Bölkow-Blohm GmbH if it involves taking on that aerospace company's commitment to the Airbus consortium, according to Edzard Reuter, Daimler's managing board chairman.

Mr. Reuter said talks with the federal government and shareholders and management of MBB on the restructuring of the West German aerospace industry are continuing. But MBB's ownership of Munich-based Deutsche Airbus GmbH, part of the European Airbus consortium, remains a sticking point.

"We have one big problem in those talks. And that is that famous Airbus," Mr. Reuter said, in an interview at Daimler-Benz corporate headquarters in the Stuttgart suburb of Untertürkheim.

He said that Airbus would not become economically viable before the end of the century. The federal government has tried for more than two years to get Daimler to acquire just under 30 percent of MBB by purchasing part of the shares currently held by the states of Bremen, Hamburg and Bavaria.

The government is pumping 5 billion DM (\$2.94 billion) into Deutsche Airbus to cover the company's share of the development costs for the Airbus A-330 and A-340 jet aircraft. That level of government involvement does not sit well with Mr. Reuter.

"As the biggest German private company, we are not ready to continue asking for government subsidies in the size of billions of Deutsche marks," he said.

"So, what we did is ask our partners to solve that problem, the financing of the Airbus, before we ourselves are ready to enter into real negotiations on participating or taking over a share of MBB."

In a 70-minute interview with American journalists, Mr. Reuter also spoke about Daimler's earnings performance in 1987, and complains that the quality of some Mercedes cars is slipping.

In 1987, Daimler's group sales rose 2.3 percent to 67 billion DM from 65.5 billion DM the previous year, while net profit stagnated at its 1986 level, the company said on Feb. 18. Daimler has yet to release profit figures for 1987. In 1986 it posted net group profit of 1.77 billion DM.

Sales of Mercedes cars and trucks totaled 50.7 billion DM in 1987. Auto sales were little changed at 31.5 billion DM, compared with

31.4 billion DM the previous year, and truck sales were up 7.9 percent to 19.2 billion DM from 17.8 billion DM.

Mr. Reuter said he was very satisfied with the 1987 results, in light of the decline of the dollar over the course of that year.

"I would be very happy if in 1988 we could reach the same levels as in 1986 and 1987," he said. "I think 1988 will show some more problems for us. The international car markets are under pressure after years and years of booming."

Although the company was successfully able to hedge against the dollar's fall in 1987, currency rate factors could also affect Daimler's earnings performance, he said.

Mr. Reuter masterminded Daimler's evolution from a maker of cars and trucks into a broadly diversified, high technology conglomerate. That was accomplished in 1985, when the company went on a 2.6 billion DM buying spree, acquiring AEG AG, Dornier GmbH and Motoren & Turbinen Union GmbH.

AEG is an electrical and capital goods company. Dornier is an aerospace and medical technology concern and MTU builds turbines and aircraft engines. The purchases gave Daimler a product line ranging from steam irons to surface-to-air missiles.

Those moves have been criticized by some industry analysts, who suggest Daimler is facing a period of stagnant profits as it struggles to integrate the other companies with its automotive operations.

Among its problems has been a perceived lack of performance in Mercedes midsize cars, which have been the target of unusually sharp criticism from consumers.

Mr. Reuter blamed the problems on Daimler's uncharacteristic haste in introducing the cars. The faults have since been corrected, he said.

He disputed the view that there is an integration problem. "This process of integration is on its way," he said, "but it's proceeding step by step and this means not in a period of one or two years."

"We never thought of integrating those companies in the sense of forming them into a uniform kind of organization."

He said that developing future generations of autos with more electronics would be a primary task. "We felt we should integrate companies into our concern who are able to contribute to that aim," he said. "This goes especially for AEG and Dornier. The cooperation between Daimler-Benz, AEG and Dornier is proceeding rather quickly and vary satisfactorily."

Currency Rates

Table with columns for Currency, Par \$, and various exchange rates for major currencies like Yen, DM, SF, etc.

Other Dollar Values

Table showing values for various currencies like Swiss franc, Australian dollar, etc.

Forward Rates

Table showing forward rates for various currencies and terms like 30-day, 60-day, etc.

Interest Rates

Table showing interest rates for Eurocurrency deposits in various currencies.

Key Money Rates

Table showing key money rates for various currencies like US dollar, DM, etc.

Asian Dollar Deposits

Table showing Asian dollar deposits for various Asian currencies.

U.S. Money Market Funds

Table showing U.S. money market funds like Merrill Lynch Bond Assets.

Gold

Table showing gold prices in various locations like Hong Kong, London, etc.

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CONSOLIDATED FINANCIAL HIGHLIGHTS

Table with columns for US dollars in millions, 1987, 1986, and Increase. Rows include Income before taxes, Net income, Average Total Assets, etc.

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Banco Santander logo and address information for various international branches.

COMPETE: As U.S. Industry Battles for Market Share, Experts Say Productivity Is Up — but Foreigners Are Close Behind

(Continued from first finance page) pressive gains. David M. Roderick, its chief executive, said USX now makes a ton of steel in less than 4 man-hours, down from 10 a few years ago. In fact, USX's per-ton production costs are in line with those of the Japanese.

But much of the progress in the manufacturing sector may be illusory. Many gains in comparative cost that American companies have made against the Japanese can be traced to the rise of the yen, and could be wiped out if the dollar rebounds.

In addition, many huge productivity improvements in steel and other basic industries were accomplished primarily by closing plants and winning union concessions. Such gains cannot be improved upon without more bloodletting and closed capacity.

"Yes, American industry has improved over the past four, five years, but so have our competitors," said Robert Anderson, the departing chief executive of Rockwell International Corp. and a member of the 1983 presidential commission on industrial competitiveness. "The United States may have been 1 on a scale of 1 to 10. Well, now we're 5."

Indeed, business experts warn that U.S. industry is not moving fast enough. Foreign companies are getting into new product areas all the time, leading to shakeouts in almost every market.

Anyone who watched Xerox Corp. fall victim to the Japanese in copiers, or saw Pratt & Whitney lose its longstanding lead in aircraft engines to General Electric Co., would recognize that past rules of competition do not apply in the global business environment of the 1980s.

The vast improvements that many U.S. companies have eked out on the factory floor have not always been replicated in nonproduction areas, like sales and administration. And they have certainly not been apparent in the service sector, which employs about 70 percent of American workers.

Indeed, maintaining — or, in some cases, regaining — supremacy in manufacturing industries remains vital for the U.S. economy. Reliance on the fast-growing service sector could spell disaster. Low productivity in services is an open invitation for future competition from overseas.

In any event, manufacturing companies are the clients for more than 25 percent of services. "Idiot is not an out-of-line word for people who say a service economy is the way to go," said Mr. Roderick of USX.

On a global basis, American productivity figures are not comforting. The years of stagnating growth in productivity earlier in the 1980s did not rob the United States of its leading position in world produc-

tivity. But now, although U.S. productivity is again improving at a steady annual clip, other countries are catching up.

Based on growth rates in productivity from 1973 and 1986, C. Jackson Grayson Jr., head of the American Productivity Center in Houston, predicts that Canada, France, Norway, West Germany, Belgium and Japan will eventually pass the United States in employee productivity.

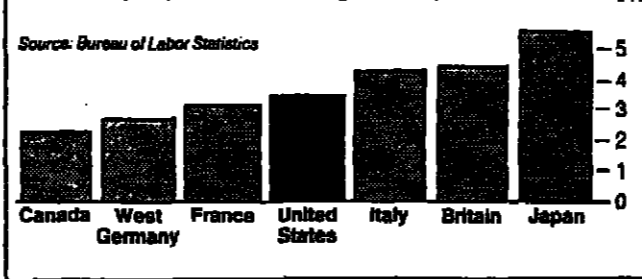
"The U.S. is still the world leader, but you just can't assume that will last," he warned.

Quality issues remain the sharp thorn in U.S. industry's side. For years, the Japanese — not to mention the Germans, the Koreans and a growing legion of others — have produced high-quality goods at market prices, and American companies are still scrambling to figure out how they do it.

Xerox Corp. learned the hard way how quickly Japanese competition can turn market supremacy into market oblivion. Until the early 1970s, Xerox was the undisputed copier king. "We were fairly arrogant, until we realized the Japanese were selling quality products for what it cost us to make them," said Paul A. Allaire, Xerox's president. Xerox has caught up, and its arrogance is long gone. Instead, its

Productivity Rising, But Fast Enough?

Percent change in manufacturing productivity from 1979 to 1986, measured by output in manufacturing divided by hours worked. — 6%



The New York Times

It is the companies that have made the greatest strides in quality that keep looking for better ways to do things. "We've sent people around the world, looking for best practices," said John A. Young, chief executive of Hewlett-Packard. The company does "total quality control" analyses of every department, including sales and administration.

But most companies still try to make do with a quick fix. Some have tried worker-involvement programs that failed when companies refused to give workers the power to implement their ideas. Others have beefed up inspection programs for parts and fin-

ishing, product design or service operations.

IBM Corp. has occasionally made that mistake. By not paying serious attention to customers' frustration with the incompatibility of many IBM machines, it opened doors for Digital Equipment Corp. and other companies to pump research dollars into developing networks that would solve the incompatibility problems.

"In the past, you could enter markets at your own pace," said E. Kirby Warren, vice dean at the Columbia Business School. "Today, you have to learn what customers want, make it and sell it, or someone else will."

That means operating as close to the market as possible. For that reason, the delight that many business executives are manifesting at the rising export figures may be misplaced.

While exports help the skewed trade balance, many business experts believe that for American companies to thoroughly penetrate overseas markets, they must produce in those markets.

Producing offshore also enables companies to take advantage of currency fluctuations. Dow Chemical Co., for one, has duplicate facilities in several countries and fills orders from whichever location looks as though it will have the lowest costs at shipment time.

Lastly, producing offshore is still the best way to get to know other cultures and markets. The annuals are crammed with stories of companies that tried to export full-size refrigerators to countries notable for tiny kitchens, or dolls with blond hair and blue eyes to countries in Asia and Africa.

To really spot the needs of foreign markets — to become market-driven, in management jargon — requires a new attitude toward product design.

GE Plastics is working with aircraft companies to develop materials to solve toxic-fume problems. And Rockwell and TRW Inc. are tailoring their automotive parts for different countries.

Some say that it is the lack of such flexibility that has most hurt the U.S. steel industry. "It didn't develop new uses for steel when

plastics, aluminum and cement knocked it off in automotive and construction," said Charles Bradford, a steel analyst at Merrill Lynch Research.

Mr. Roderick of USX accurately notes that the Japanese and Europeans also have not developed new markets for steel. But as low-cost producers, they never had to.

Many business experts say that if a company can truly maintain its position as lowest-cost producer, it can get away with a lackluster track record of product introductions. "A company that is putting all of its resources into products will look good in the short run, but the key is still its manufacturing processes," said Robert H. Hayes, a management professor at the Harvard Business School.

Sometimes chief executives argue that the chief obstacle to long-term investments is Wall Street. They complain that corporate raiders, frightened boards and investors clamoring for immediate paybacks pose obstacles as formidable as any provided by foreign competitors.

"Far too much of our capital is going into stock buybacks or defensive moves against raiders," said Patrick Choate, an economist who is TRW's director of policy analysis.

Goodyear Tire & Rubber Co.'s strategy of reducing its dependence on tires and investing in productivity tools was nearly derailed in 1986 when investors, angered at the lack of short-term profits, sold the stock, providing a golden opportunity for Sir James Goldsmith to begin a takeover attack. The board sold chunks of the company and mortgaged other parts to maintain Goodyear's independence.

There are success stories, of course — tales of companies that, with full board and shareholder backing, have honed their production and marketing skills, motivated their people and done just fine.

Rubbermaid Inc. has put about 9 percent of revenue into new plants and modernization every year of this decade. In 1980 it had six manufacturing locations; today it has 25. The company, based in Wooster, Ohio, has introduced more than 700 products in the last five years. Its productivity, measured in units produced per employee, has increased by 50 percent since 1980, and its profits have quadrupled on tripled sales.

But in many ways, Rubbermaid had it easy. Inexpensive household products, Rubbermaid's mainstay lines, do not face much competition from imports. No raider has made a run at the company. It has always had a reputation for quality.

Most U.S. companies are now looking for the most workable mix of centralized and decentralized operations. Eastman Kodak Co. has reorganized into 24 business units, each with profit-and-loss re-

sponsibility, to speed up commercialization of new products.

Digital Equipment used to view each product line as a separate business responsible for its own worldwide marketing. The result was that "the U.S.-based managers would push the wrong products in the wrong countries," Mr. Hindle said.

Now the company gives executives in each country responsibility for selling all products in their geographic areas. Its Japanese managers, for example, recognized that while the Japanese had ample access to excellent computers, there was a need for good software, so that is what they are emphasizing in Japan.

Many companies also are looking for a new breed of manager who can help to coordinate product design and manufacturing.

Already, some companies — including Xerox, Ford, Kodak and Hewlett-Packard — form teams of people from production, engineering, marketing and design at the point that a product is conceived, and keep them together until the product hits the market.

In some cases, they have moved engineers and designers to the factory floor. The result, they report, is fewer quality problems, and a speeded-up timetable for getting products to market.

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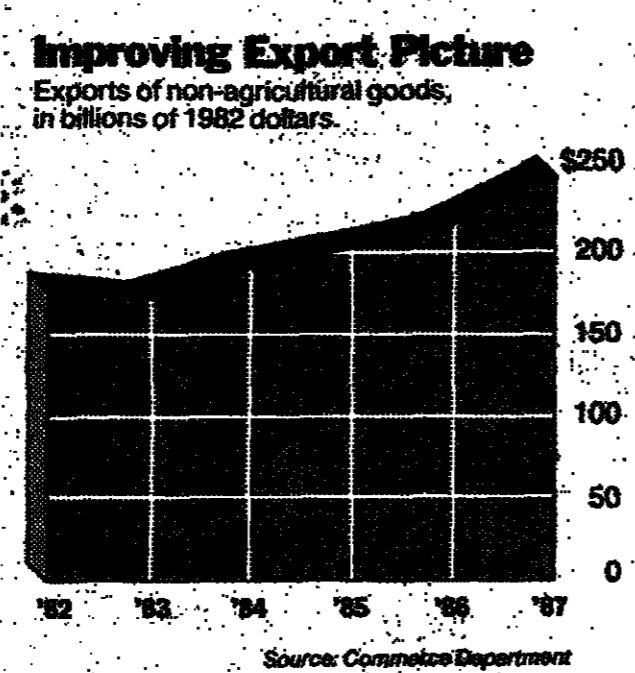
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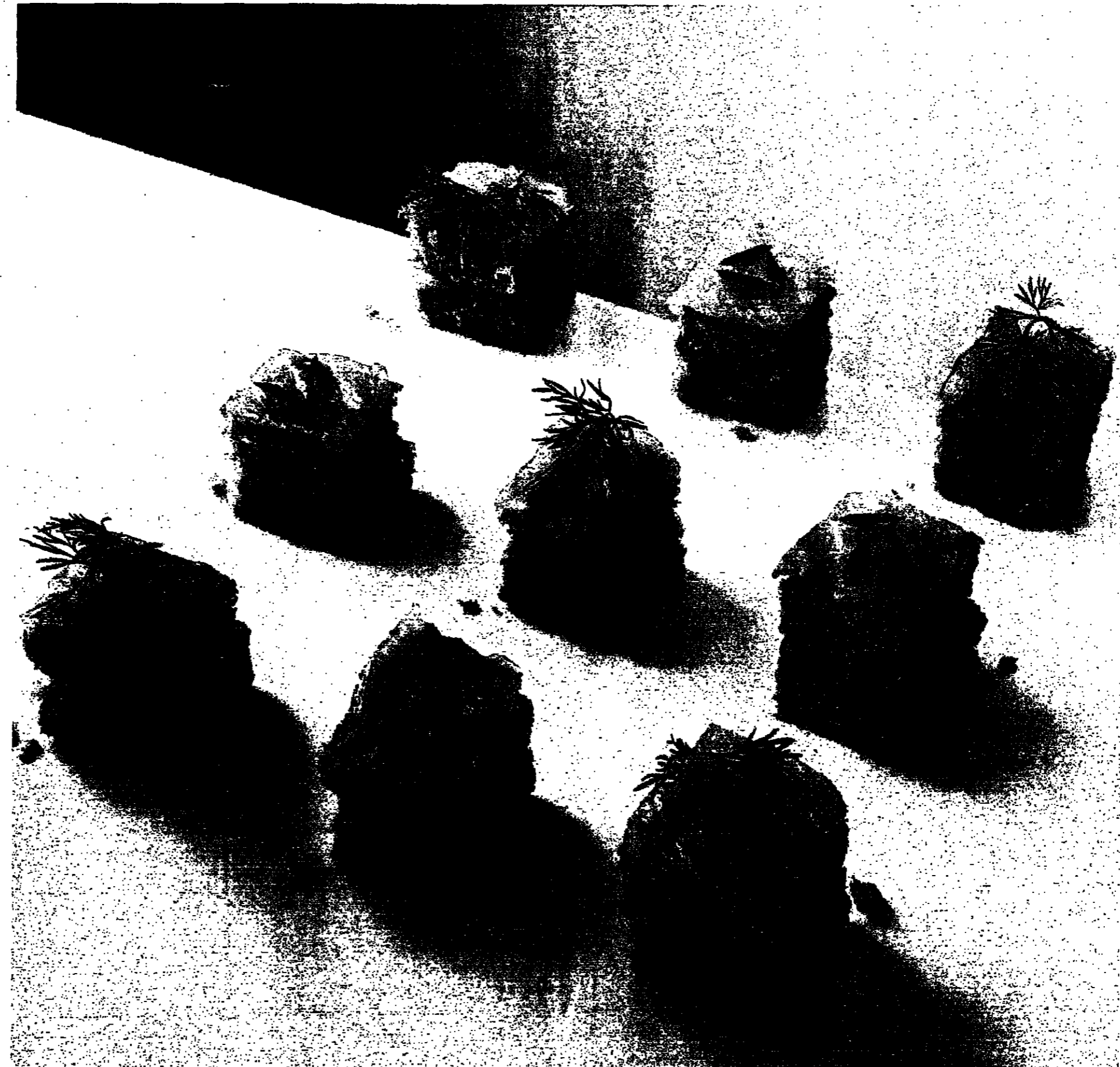


Source: Commerce Department

executives have talked to Japanese companies about design and manufacturing processes, to business professors about organizational structure, to other U.S. American companies about quality programs and distribution methods. It has installed a "total quality process," which involves formally identifying service or quality problems and forming teams to solve them.

ished products, only to find that the cost of fixing defective products — rather than making sure they are made correctly in the first place — can swallow 25 percent of an operating budget and wreak havoc with delivery schedules.

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U.K. Clears Way for BP-Britoil Deal

The Associated Press
LONDON — The British government said Tuesday it has agreed to relinquish its "golden share" in Britoil PLC, removing the remaining obstacle to British Petroleum Co.'s £2.5 billion (\$4.4 billion) takeover offer for the North Sea oil company.

The government does not intend to exercise the share as long as BP upholds promises to maintain headquarters for some of Britoil's operations in Glasgow, the chancellor of the Exchequer, Nigel Lawson, said in answer to questions in the House of Commons.

The government retained the special share, which gives it a controlling vote over the company's affairs, when it privatized Britoil in two stages in 1982 and 1985.

The special share will eventually be transferred from the Treasury to Britain's Energy Department. Its final disposition will be determined later, Mr. Lawson said.

BP has acquired 79.8 percent of Britoil's 504 million shares outstanding through a 500-pence-a-share tender offer that began in December. BP's stock, which had gained 1 pence before the government statement, ended unchanged at 249 pence on the London Stock Exchange. Britoil's rose 1 penny to 499.

Mr. Lawson said discussions on the terms of the takeover, originally opposed by Britoil, had finished. BP agreed to locate both Britoil's and BP's North Sea exploration and production head offices in Glasgow, where Britoil has its headquarters. The office would control BP's exploration and production in Norway, Ireland and Britain, Mr. Lawson said.

"An acceptable arrangement has been reached with BP" that will not jeopardize Glasgow's economy, the chancellor said, adding, "I am quite sure there will be no backsliding by BP."

Mr. Lawson also said BP agreed to try to achieve an increase of at least 5 percent in recoverable reserves from Britoil's North Sea oil fields. He said BP will spend between £300 million and £325 million a year on exploration and development in areas controlled by BP and Britoil, which Mr. Lawson described as a large increase over previous expenditure in the area.

Britoil will be managed and operated as a separate independent subsidiary and will have its own chief executive, Mr. Lawson said.

Britoil had wanted the government to retain the golden share because of the possibility that a foreign bid for BP would threaten its own independence. The Kuwait Investment Office holds a 20 percent stake in BP, but has assured the British government that it would not bid for the oil giant and did not want a management role.

News Corp. Says Net Rose 24% In Its First Half

Reuters
ADELAIDE, Australia — News Corp., the cornerstone holding of Rupert Murdoch, said Tuesday that net profit for the first half of its financial year had grown 24 percent because of acquisitions in Australia and the Pacific, and higher profit from operations in Britain.

Equity-accounted net rose to 227.30 million Australian dollars (\$163.3 million) in the half-year that ended Dec. 31.

But earnings fell in the United States, where Mr. Murdoch has agreed to sell the New York Post. U.S. operations contributed 191.88 million dollars to total earnings of 479.41 million, calculated before interest or tax. This was well down on a contribution of 233.28 million a year earlier.

Group revenue rose 13.3 percent, to 2.97 billion dollars. Australia and Pacific Basin revenue soared to \$31.34 million dollars from 461.5 million, reflecting the acquisitions of The Herald & Weekly Times Ltd. group and the South China Morning Post.

2 Dutch Publishers to Take Substantial Cross-Holdings

Reuters
AMSTERDAM — Two leading Dutch publishers, Wolters Kluwer NV and Elsevier NV, agreed Tuesday to take as much as one-third of each other's stock, in a move to close the books on a bitter takeover battle last year.

Wolters Kluwer NV in August with a bid that valued that publishing company at 1 billion guilders (\$470 million), after Kluwer had asked for help in fending off Elsevier's hostile offer. Hostile takeovers are a rarity in the Netherlands.

As a result of purchases during the takeover battle, Elsevier was left with 1.2 million shares of Kluwer. The stock ceased being quoted on the Amsterdam Stock Exchange after the merger of Kluwer and Wolters Samsom Groep NV into Wolters Kluwer.

Wolters Kluwer said Tuesday that Elsevier would swap its Kluwer holding for a 32.5 percent interest in Wolters Kluwer.

A Wolters spokesman said his company had bought Elsevier shares in the open market but he did not say how many.

Wolters Kluwer said the two companies had agreed to limit their cross-holdings to one-third.

Wolters said that it and Elsevier had also agreed not to launch a hostile bid for each other or "to offer shares to a party that is regarded as undesirable by the other party."

Elsevier's shares opened 0.90 guilders higher at 49.50 guilders after the news, then eased to 49.30. Wolters Kluwer was 0.50 higher at 121.50 in early trading.

Wolters Kluwer said that, under the agreement, Elsevier would swap each of its Kluwer shares for two Wolters Kluwer shares certificates plus about 1/3 Wolters Kluwer convertible cumulative preference share certificates.

The two companies started talking late last year about the issue of Elsevier's stagnant Kluwer stake.

The acquisition of Kluwer allowed Wolters to surpass Elsevier in size and become the second-largest publishing concern in the Netherlands.

The largest publisher, NV Verleggen Bezit VNU, is making a separate takeover offer, for Audet NV, a newspaper publisher.

VNU's tender offer, which values Audet at 270 million guilders, expired Tuesday and acceptances are to be announced Thursday.

Texaco Settles \$1.25 Billion Claim

Reuters
WHITE PLAINS, New York — Texaco Inc. said Tuesday that it will pay the U.S. Department of Energy \$1.25 billion plus interest over five and a half years, to settle claims that it violated oil price controls in effect from 1973 to 1981.

The agency estimated that its claims, similar to those involving many U.S. oil companies in the 1970s, totaled more than \$2.1 billion.

The company said the settlement will not affect current earnings, because it is covered by reserves included in the financial plan for Texaco's reorganization under federal bankruptcy law.

Mezzanine Capital Corporation Limited

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NATWEST: Profit Falls 30%

(Continued from first finance page)
 management is expected to exert tighter control.

Late Monday, the parent bank announced the resignations of County NatWest's chairman, Charles Willers, and chief executive, Jonathan Cohen. It said that Terry Green, already a board member of both NatWest and its investment banking arm, would temporarily assume the chairmanship.

But industry sources predicted that John Chiene, former chairman of the Edinburgh-based stockbrokers Wood Mackenzie & Co., eventually would be named chairman. Mr. Chiene currently heads County NatWest's securities business.

NatWest acquired Wood Mac-

Honda's Profit Advances on Special Items

Reuters
TOKYO — Honda Motor Co. said Tuesday that its net profit had risen 38.1 percent in the quarter ended Dec. 31, reversing a recent trend toward declining income.

But the automaker said most of the increase was due to gains from foreign currency trading, lower taxes and higher income from nonconsolidated subsidiaries and affiliates. Group operating profit fell, mainly because of the weaker dollar, Honda said.

The company said its net profit for the quarter rose to 23.68 billion yen (\$183 million) from 17.15 billion in the three months to Nov. 30, 1986.

The comparison to a different period was made because Honda is changing its financial year to end March 31. Formerly, its year ended Feb. 28.

Group sales and other operating revenue for the period rose 20.5 percent to 789.55 billion yen, Honda said. But group operating profit fell 31.4 percent to 32.46 billion yen. Car sales rose 21.6 percent.

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Belgium B.Fr.	11,000	40	6,000	34	3,300	27
Denmark D.Kr.	2,500	38	1,400	30	770	23
Finland F.M.	1,730	44	950	39	520	33
France F.F.	1,500	41	820	36	450	29
Germany* D.M.	580	41	320	35	175	29
Gr. Britain £	130	40	72	34	40	27
Greece Dr.	22,000	53	12,000	49	6,600	44
Ireland E.Irl.	150	45	82	40	45	34
Italy Lire	380,000	42	210,000	36	115,000	30
Luxembourg L.Fr.	11,500	37	6,300	31	3,400	25
Netherlands Fl.	650	40	360	34	198	27
Norway (post) N.Kr.	1,800	45	990	40	540	34
—** (hd.del.) N.Kr.	2,300	30	1,270	22	700	5
Portugal Esc.	22,000	58	12,000	54	6,600	50
Spain (post) Ptas.	29,000	45	16,000	40	8,800	33
—** (hd.del.) Ptas.	45,240	—	22,620	—	11,310	—
Sweden (post) S.Kr.	1,800	45	990	40	540	34
—** (hd.del.) S.Kr.	2,300	30	1,270	22	700	14
Switzerland S.Fr.	510	44	280	38	154	32
Rest of Europe, N. Africa, former Fr. Africa, Middle East \$	430	Varies by country	230	Varies by country	125	Varies by country.
Rest of Africa, Gulf States, Asia \$	580	—	320	—	175	—

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Dollar Li

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CURRENCY MARKETS

Dollar Limp After Fed Testimony

NEW YORK — The dollar closed narrowly lower against most currencies on Tuesday in lifeless trading, taking scant encouragement from remarks by the Federal Reserve Board chairman, Alan Greenspan, that the dollar is at a comfortable level.

Mr. Greenspan's testimony to the House Banking Committee was generally as anticipated. In the absence of clear direction, the market continued to be thinly traded on technical factors.

"None of Greenspan's testimony has put us in any new direction or reversed any of the sentiment on the dollar," one trader said.

Traders said the market would remain in a narrow range until fundamental factors provide direction.

In New York, the dollar closed at 1.6945 Deutsche marks, down at 1.6975 on Monday, and at 128.95 yen, down from 129.30. It had been as low as 1.6888 DM and 128.35 yen early in the day, ahead of Mr. Greenspan's testimony.

The dollar also closed at 5.7340 French francs, down from 5.7395, but was marginally higher against the Swiss franc, closing at 1.3925, against 1.3920 on Monday.

The dollar was lower against the British pound, which closed at \$1.7630, against \$1.7605.

Traders said the dollar's movements reflected confusion over the Greenspan statements. The Fed chairman's assertion that monetary policy had been eased a few weeks ago provoked a spurt of short-covering in New York that brought the dollar to the top of its range.

Mr. Greenspan began his presentation of the Fed's semiannual review of the economy and monetary policy, his first since he became chairman in August, by forecasting inflation-adjusted growth in gross national product of 2 percent to 2.5 percent in 1988. He also predicted a rise in the GNP price deflator, a measure of inflation, of 3.25 to 3.75 percent.

London Dollar Rates

Table with columns: Currency, Bid, Ask. Includes Deutsche mark, Japanese yen, Swiss franc, etc.

"That's a slightly more optimistic forecast for inflation than what the market generally expected," one U.S. dealer said.

Dealers noted that U.S. Treasury bonds had firmed in response to Mr. Greenspan's saying the Fed had eased its credit policy in recent weeks.

Dealers said the bearish sentiment on technical grounds came after the dollar breached several support levels.

The fact that the dollar had already failed to rise above recent resistance levels of around 1.7150 DM after publication of the latest U.S. trade figures, despite the narrowing of the deficit, "shows that the dollar is more vulnerable to bad news than it is to good news," said one dealer.

Signs of growing U.S. discontent toward West German economic policy compounded negative sentiment, dealers added.

In earlier European trading, the dollar was fixed lower at 1.6920 DM in Frankfurt, from 1.7028 on Monday, and at 5.7260 French francs in Paris, after 5.7570. In Zurich, the U.S. currency closed at 1.3910 Swiss francs, down from 1.3905 on Monday. (Reuters, UPI)

Gold futures softened by about \$3 in New York after Mr. Greenspan's prediction on inflation for 1988.

Spot gold closed at \$441.75, down from \$444.95 on Monday.

In London, spot gold closed down about \$3 at \$442.50 an ounce in light gains, compared with Monday's finish.

U.S. Negotiator On Trade Quits Over Promotion

WASHINGTON — Bruce Smart, a top Reagan administration trade negotiator, has resigned as undersecretary of commerce after differences with Commerce Secretary C. William Verity.

Mr. Smart had been expected to be promoted to deputy secretary, the No. 2 job in the Commerce Department, but Mr. Verity said Monday he no longer supported the promotion because of "a difference of management styles."

Mr. Smart, the administration's negotiator on many contentious trade issues, including the battle to get Japan to open public works projects to U.S. companies, submitted his resignation to the president.

Mr. Smart, who had been a leading candidate from inside the department to replace Secretary Malcolm Baldrige, who died last July, was also slated to play a major role in administration negotiations with Congress over the shape of a trade bill.

While Mr. Smart's promotion had not been fully cleared in the White House or Congress, it was considered "pretty much a done deal," an official said. Mr. Smart was picked by Mr. Baldrige as undersecretary in charge of international trade almost three years ago after a career as a corporate chief executive.

China's Economy Grew in 1987, as Did Inflation

BEIJING — China's economy grew by a robust 9.4 percent in 1987 but rising prices caused by high consumer demand lowered living standards for one of five city dwellers, the State Statistics Bureau said Tuesday.

China's gross national product, the total output of goods and services, was \$295 billion for the year, ranking China seventh in the world. The report said industrial output was up 16.5 percent and agricultural output 4.7 percent.

The bureau's annual report said China's 200 million urban dwellers made an average of \$248 last year, up 10.6 percent before inflation. Its 800 million peasants averaged \$125 per capita, up 5.3 percent.

But Zhang Zhongqi, the bureau's director of statistics, also said that 21 percent of urban households had less to spend last year.

Inflation hit 9.1 percent in the cities, he said. Nationwide, China's prices rose 7.3 percent, compared with about 6 percent in 1986.

Mr. Zhang said the main inflationary factor was the inability of food and consumer goods producers to meet the growing demands of a more affluent society.

Meat, poultry and egg prices climbed 16.5 percent, and fresh vegetables and fish rose about 17 percent.

Pork and sugar were rationed for the first time in decades in many cities because farmers, discouraged by rising prices for raw materials, cut back production.

Wage earners who received no salary raises and retirees on fixed incomes suffered the most from the price spiral, Mr. Zhang said.

Among the strong points were foreign trade, with exports rising 27.8 percent to \$39.5 billion. The trade deficit shrank from \$12 billion in 1986 to \$3.7 billion last year.

The report said new foreign investment in 1987 totaled \$7.57 billion, up 4.3 percent.

Mr. Zhang said the government was trying to overcome imbalances of supply and demand by promoting production of nonstaple commodities, controlling excessive investment that had led to an overheated economy and subsidizing some prices.

He said 10 percent of China's urban residents were economically distressed, defined as having an annual income of less than \$108.

In rural areas, 8.2 percent, or about 60 million people, were under the poverty line of \$54 a year. Mr. Zhang said poor people in the countryside fell from 80 million in 1986, but he gave no comparative figures for the urban poor.

Mr. Zhang said unemployment was around 3 percent in 1987. He said underemployment — millions of workers in factories and offices with little or nothing to do — was an even more serious problem.

The Chinese government has acknowledged that inflation, unemployment and income disparities are all problems that China will have to live with as it adjusts from a rigid central planning system to a state-controlled but increasingly decentralized market economy.

FED: Greenspan Expects Slower Growth but Sees No Signals of a Recession

(Continued from Page 1) on this issue. It is an economist's disagreement," he said.

Mr. Greenspan also refused to make a prediction on the course of short- and long-term interest rates in 1988. He said that to do so would be "sheer mischief-making" since the Fed has direct influence over interest rates.

Echoing the themes of Paul A. Volcker, his predecessor as Fed chief, he urged Congress to reduce the federal deficit and cautioned against using protectionist legislation to ward off the U.S. trade deficit.

"For the United States, the most direct and beneficial approach would be to address the problem at its major source: the federal budget deficit," he said.

Mr. Greenspan also revealed the target ranges for money growth set by the Fed for 1988. These targets serve as a policy guide for the central bank as it tries to supply enough money to keep the economy growing at a healthy rate while guarding against pumping out so much money that inflation is kindled.

The Fed said it was aiming for growth of 4 percent to 8 percent in M-2, a measure of the money supply that includes checking deposits plus cash held by the public along with savings accounts and money market accounts.

The same target was set for a somewhat broader measure of money known as M-3. In 1987, the target ranges for M-2 and M-3 were slightly lower at 5.5 percent to 8.5 percent.

The central bank, as it did last year, decided to set a growth target for M-1, the narrowest gauge of money, because of its erratic behavior in recent years.

The Fed set wider target ranges for M-2 and M-3, Mr. Greenspan said, because deregulation and innovation in the financial markets have loosened the linkage between money supply and spending and income.

M-2 actually grew only 4 percent last year, prompting criticism from monetarists in the Reagan administration that the central bank was pursuing a tight-money policy.

Critics such as Mr. Sprinkel argued that such an approach could drive up interest rates and trigger a recession.

The president's Council of Economic Advisers, chaired by Mr. Sprinkel, issued a report Friday that said tight Fed money policies were partly responsible for triggering the Oct. 19 stock market collapse.

Mr. Greenspan said in his testimony that the stock market collapse yielded some benefits by easing speculative pressure.

"We're looking more normal now," he said. "We're not teetering on the edge" of new market problems. (UPI, Reuters, AP)

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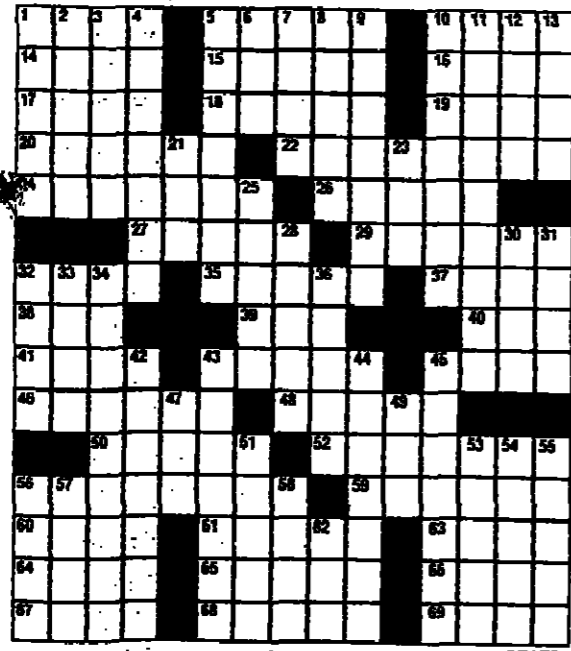
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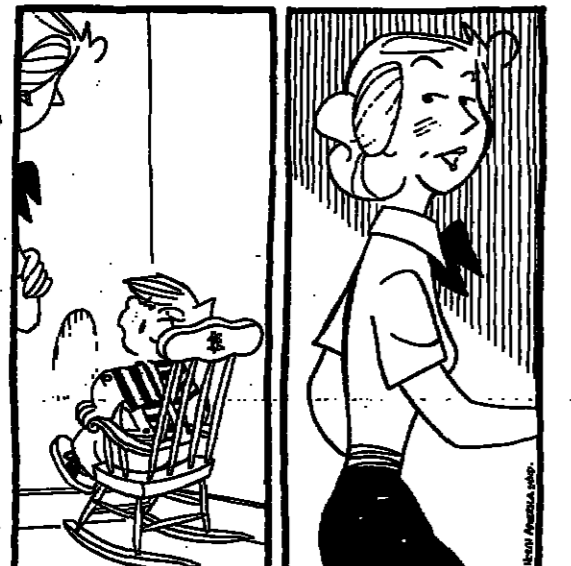
ACROSS

1 Convert idly
5 Large star in
10 Pinning nymph
14 Jot
15 Instrument
16 Twenty quires
17 Urban health
18 High perch
19 Sea lettuce
20 Stock of wine
22 Kringle's
23 Jingles
24 Egg stones
25 News filler
27 Nervous
28 Faithless
32 Nonvocal actor
35 Pertious
37 Merit
38 Kyushu
39 Needlefish
40 Composer
41 Focuser of
42 Studied
45 Consort of
46 Measuring
worm

DOWN

1 Great Lakes
2 Similar:
3 Comb. form
4 Catchword
5 Reddish-brown
6 Greg Norman,
e.g.
7 Baritone Gorin
8 Stack in a
liquor store
9 Bygone
10 Learned
11 Reverter
12 Eat
13 Persian poet
21 Goddess of
infatuation
22 Sister
25 Irish county or
port
28 Century
components
30 Nobelist in
Chemistry:
1934
31 Wide receivers
32 Promenade
33 Lake in
Lombardy
34 Duckbill or
echidna
36 Salute
42 Highlander's
pouch
43 Franklin was
one
44 Went under
like Leander
45 Island north of
Kudak
47 Before, in
poesy
49 Author Levin
51 Aviator Balbo
53 Lake in
Botswana
54 Part of a
dovetail
55 "Ben
Jonson!"
56 Ornamental
metalware
57 Post Naso
62 Stately lyric

DENNIS THE MENACE



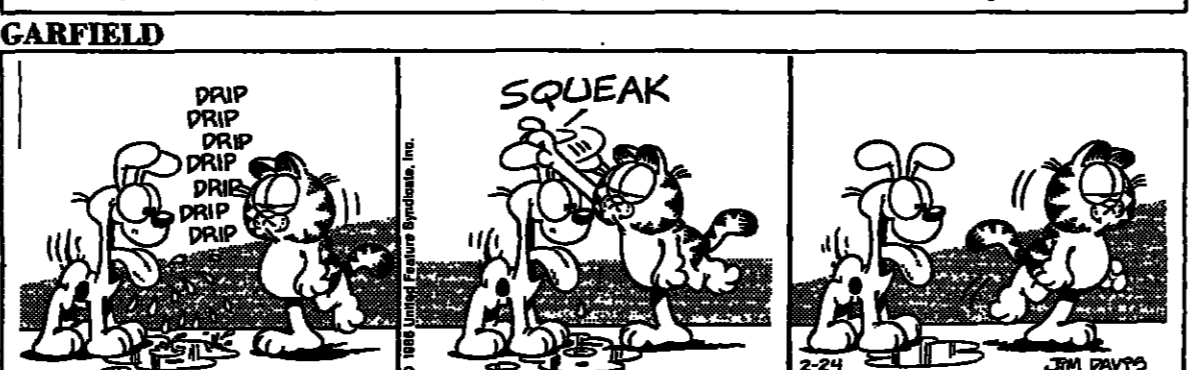
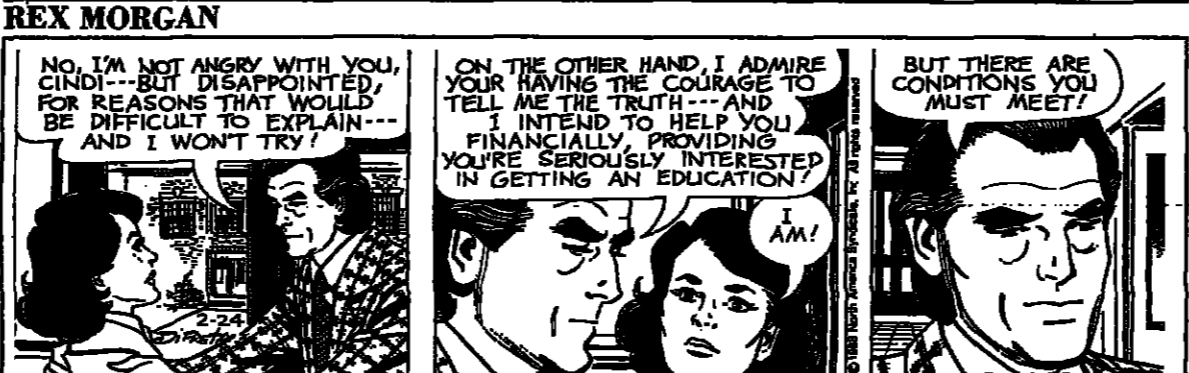
ARE THERE ANY CORNERS IN HEAVEN?
NO, BUT THE OTHER PLACE IS FULL OF THEM!

JUMBLE
Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

UPMEL
AVUME
DYSTUR
SOUNIC

Answer here: ○○○○ TO HIS ○○○○

Yesterday's Jumbles: JOUST PATIO OUTLET KERNEL
Answer: What the cops said they would do when a hole was found in the outside wall—LOOK INTO IT



BOOKS

THE JUDAS FACTOR
By Ted Albury. 201 pages. \$15.95.
The Mysterious Press, 129 West 56th St., New York, N. Y. 10019.

Reviewed by Robin W. Winks

ONE of these days some scholar is going to tell us why Ted Albury, one of the best writers of spy novels in business, well regarded in Britain and translated into 15 languages, remains so little known in the United States. Over the long haul—"The Judas Factor" is at least his 25th book—Albury is arguably the best teller of spy tales to come out of that growing group of authors who once were spies themselves, and I include John Le Carré in that judgment. Yet he remains relatively unread in the United States, and indeed is so little remarked upon that Anthony Masters, in his recent book on writers who worked as spies ("Literary Agents: The Novelist as Spy") finds no room to mention his fellow countryman even once, despite making space for such dubious writers as Tom Driberg and romanticizers like Ian Fleming.

The problem may be that Albury pretty much tells it as it is. He was there, and he knows what it feels like to lie to a man, to walk the streets of Addis Ababa in a cold sweat to be hooded in Berlin. His books tend to be read in one, for spying and betraying and manipulating weak people into becoming even weaker is rather sad work. He does not think in terms of black and white; the protagonists in "The Judas Factor," one working for France for British intelligence, the other a professional assassin-for-hire, are both shown in a sympathetic light, though both can be cruel, weak in their own ways and even incompetent. Reality such as this can scarcely please the avid cold warrior or the reader who expects all heroes to perform to the perfection of James Bond. Nor is there much sex in Albury's books, or at least not more than there is in real life.

"The Judas Factor" is a representative Albury product. The plot is tight, the writing is spare, and the conclusion has the bitter-sweet irony of the early Graham Greene and the late Francis Clifton were once so good. Albury shows us the professional assassin at work, a married man with a loving wife and child, a man who is good at his job and has

Solution to Previous Puzzle

SHAVE PRIM BONO
LACES AURA EWES
OVERTURNED ANGA
TESTATE SEATING
ITERS ODENSE
GRACES PAVING
RITAS CADET UGH
IDOL PACER SPIRY
PEN ERNES CUTUP
EENDEAR THROBS
SAMUEL SPOON
OVERRUN RELATES
BINS DEBASEMENT
ESTE ERAT REATA
ROSS SORE ASSET

ADVANCE HOW-TO AND MISCELLANEOUS

1 ELIZABETH TAKES OFF, by Elizabeth
2 THE 5-WEEK CHOLESTEROL CURE,
3 WEBSTER'S NINTH NEW COLLE-
GIATE DICTIONARY (Merriam-Web-
ster)
4 WEIGHT WATCHERS QUICK AND
EASY KITCHEN COOKBOOK (New Amer-
ican Library)
5 THE FRUGAL GOURMET COOKS
AMERICAN, by Jeff Smith

BRIDGE

By Alan Truscott

VERSATILITY in active games and sports is not uncommon, nor in intellectual pursuits. But the combination is very rare. Consider this assortment: classical scholar, constructor of crosswords for a major newspaper, strong chess player, bridge international competitor and columnist, strong cricketer and golfer, and one of the best croquet players who has ever played that subtle game.

The man with those remarkable credentials is Pat Cotter, an Irishman who has lived most of his life in London. For the last quarter of a century he has been the bridge columnist of *The Financial Times*, following a bridge career that included two appearances for Britain in the European Championships.

On the diagrammed deal, Cotter reached a normal six-spade contract. After the expected club lead, you simply win in dummy, cash two top trumps and throw dummy's remaining club on the heart. You will succeed if the trumps queen falls, and she is a strong favorite if West has the diamond king.

But the picture changed totally when East doubled six spades, a Lighter action to suggest a diamond lead. West obliged, dummy played low and East predictably ruffed. Now a heart return forced South to win and take his club discard on the remaining heart winner. What next?

Cotter did not fancy his chances. If he drew trumps, with or without a finesse, he would be stuck in the dummy and unable to finesse in diamonds. The only chance, a rather remote one, was that East had begun with a single-ten spade as well as a diamond void.

Cotter therefore led the diamond queen, finessed, and held his breath. He was a happy man when East could not find a second trump. The diamond finesse was repeated, and a diamond was ruffed to return to the closed hand. It was then an easy matter to finesse in trumps and score the doubled slam.

NORTH (D)
AK10
AQ8753
A7
K62
KQ4

EAST
AK8542
K
AK8553

SOUTH
K8753
AK
A87
K62

West lead was vulnerable. The North-South
trumps were: North 4♠, South 1♠. The
diamonds were: North 10♦, South 5♦, 4♦, 3♦, 2♦, 1♦.

World Stock Markets
Via Agence France Presse Closing prices in local currencies, Feb. 23

Amsterdam		Frankfurt		London		Paris		Stockholm		Zurich	
AGB Bank	38.90	AEG	217.20	ADM	482.50	ADM	419.00	ABB	121.50	ABB	210.00
ACP Holding	43.50	Alfa	124.00	AGF	390.00	AGF	390.00	Basler	285.00	Basler	285.00
Alm	25.50	Allianz	25.50	Bayer	22.20	Bayer	22.20	BBC	115.00	BBC	115.00
Aldi	27.50	Alpina	27.50	Beiersdorf	115.00	Beiersdorf	115.00	Bilfinger	115.00	Bilfinger	115.00
Aon	42.20	Amal	42.20	Bombardier	115.00	Bombardier	115.00	Brenntag	115.00	Brenntag	115.00
Ardal	115.00	Amstel	115.00	Boehringer	115.00	Boehringer	115.00	Brockhaus	115.00	Brockhaus	115.00
Ardal	115.00	Amstel	115.00	Boehringer	115.00	Boehringer	115.00	Brockhaus	115.00	Brockhaus	115.00

WEATHER

EUROPE	ASIA	AFRICA	LATIN AMERICA	NORTH AMERICA	MIDDLE EAST	OCEANIA	
Algeria	14 13 12 11 10 9 8 7 6 5 4 3 2 1	Algeria	26 25 24 23 22 21 20 19 18 17 16 15 14 13 12 11 10 9 8 7 6 5 4 3 2 1	Algeria	26 25 24 23 22 21 20 19 18 17 16 15 14 13 12 11 10 9 8 7 6 5 4 3 2 1	Algeria	26 25 24 23 22 21 20 19 18 17 16 15 14 13 12 11 10 9 8 7 6 5 4 3 2 1

WEDNESDAY'S FORECAST - CHANNEL: Rough. FRANKFURT: Changing. TEMPE: Partly cloudy. TEMPE: Partly cloudy. TEMPE: Partly cloudy.



OBSERVER

A Bee in His Bonnet

By Russell Baker

NEW YORK — The good news is that giant snowdrops and brilliant yellow winter aconite are blooming about now.

They came up in the same place last year, but not until March 3, according to my garden diary.

When I discovered the blooming snowdrops and aconite, I thought there was a single bee again. This was an exciting find, and yet a worrisome one, for several reasons.

First, there was the possibility that maybe I shouldn't have been excited by it. Maybe these cold-weather blooms always came with a single bee.

Yes, pleasantly, because it is indeed pleasant after you have passed a certain age — 18, at least — to discover that there still remain a few things you don't know and a few others you will never be bright enough to understand.

didn't have a tag small enough to fit on a bee's leg or the equipment necessary to put it on if I was lucky enough to find one at the drugstore.

Another was that I had never tried to catch a bee, much less tag one for scientific observation, and suspected that most bees would refuse to be caught, much less tagged, without a fight.

Anyhow, suppose I got the bee tagged and set it free, then came back next year to find a bee in the aconite and snowdrops, but a bee with no tag on its leg.

These reflections, passing through my head much faster than it takes to explain them here, reminded me rather pleasantly that I was not only completely ignorant about where bees go in the winter, but also lacked the scientific imagination.

The pleasure is particularly acute for a newspaper columnist, whose trade after long practice leaves him with the depressing conviction that there is nothing he does not know and no problem afflicting humanity that could not be solved if the world would only heed the promptings of his fertile brain.

What sweet relief it is for such a sad and sappy fellow to be brought low by a bee mystery in muddy premature spring. He wanders to the garden, seeking fresh air to help his brain marshal his wisdom.

Lights! Camera! Easel! Art Movies Roll

By Paul Taylor

AS Hollywood and the New York art world move closer together in the 1980s — with their star systems, the big prices and instant fame that awaits hot new discoveries — Hollywood has started to take the art world seriously (or humorously, as the case may be).

Kirk Douglas's portrayal of Vincent van Gogh in "Last for Life" has always been a classic for art theory students — for whom it embodies the cliché of the Moe-ga-ridden artist.

And in the aftermath of art as a major element of such movies as "Legal Eagles" and "Wall Street," an aggressive portrayal of artists — as dreamy romantics, counterfeiter or glamorous bohemians — is the hook of more than half a dozen new movies in development or poised for release.

Just as Andy Warhol's movies of the 1960s prefigured today's interest in the downtown New York art scene, many of the new movies are treating the art world in classic ways.

Among the new wave of art movies, the first scheduled arrival is Alan Rudolph's "The Moderns," opening in the United States in April.

But it is a Modernist painter, Georgia O'Keeffe, who is topping the charts as Hollywood's newest discovery. Concurrent with the national museum tours of her work, there are no less than three movies being developed about this new-found American heroine.

with the photographer Alfred Stieglitz and her years in isolation in the deserts of the West are now suddenly ripe for the big screen.

The rest of the art movies do little to restore sanity. They include a few "Jack-the-Dripper" scripts about Jackson Pollock, as well as a movie of Tama Janowitz's East Village extravaganza, "Slaves of New York."

There are two Andy Warhol stories circulating. One, called "A Way of Life," depicts the zany goings-on inside the Warhol Factory. And the second, which has been in negotiations between the actor-producer Warren Beatty and the author Jean Stroup, is an epic movie about his country's Impressionist painters.

The most inspiring thing about the art scene, say a number of the filmmakers, is the glaring similarity between Hollywood and the 1980s art scene. Rudolph explains that his film, "The Moderns," is as much about Hollywood as it is about art.

The director Ivan Reitman said that "Legal Eagles" — which is still-fated 1986 movie that depicted a love affair between two lawyers who share a client in the artist played by Daryl Hannah — was set in the New York art world because it "has made stars out of artists, and art has become part of fashion, nightlife, and music."

Despite the recent avalanche of interest, some producers of movies and television are wary of the rush to portray the art world on film. "I get proposals about the art world every two weeks," says



Kirk Douglas, art and angst in van Gogh film, "Last for Life."

James Ivory, the director of "Slaves of New York," says that "while our characters are struggling young artists who haven't yet made it big, they could just as well be young off-Broadway actors."

According to the painter James Rosenquist, who makes a cameo appearance in the art auction scene in "Wall Street," "Audiences are starting to become very sophisticated. After yuppie things like expensive cars, apartments and clothes, they want art. In 'Wall Street,' the art is portrayed as just another poker chip. It's become like drug money."

In the world of large art, it is now a bewildering paradox: If art equals money, it is at the root of all evil. But then again, isn't art supposed to be the peak of human and cultural expression? In the 1980s, this dilemma looms larger than ever before, and today's filmmakers have a lot of material on their hands.

Paul Taylor is an art critic who founded the Australian-based magazine Art & Text. He wrote this for The New York Times.

PEOPLE

Caspar Weinberger Gets Honorary Knighthood

Caspar Weinberger received an honorary knighthood from Queen Elizabeth II Tuesday in a brief ceremony at Buckingham Palace.

Brigitte Bardot, 1960s sex symbol turned protector of animal rights, was in the right place when a dolphin was beached outside her home near Saint-Tropez.

Justith Campbell Exner, who told People magazine she arranged more than 10 meetings between John F. Kennedy and Chicago Mafia boss Sam Giancana in the early 1960s, was paid \$50,000 for interviews, the author of the magazine article said.

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